

Agenda



Meeting of West Dunbartonshire Council

Date: Wednesday, 30 October 2019

Time: 14:00

Venue: Council Chamber,
Clydebank Town Hall, 49 Dumbarton Road, Clydebank

Contact: Christine McCaffary
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Dear Member

Please attend a meeting of **West Dunbartonshire Council** as detailed above.
The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:-

Provost William Hendrie
Bailie Denis Agnew
Councillor Jim Bollan
Councillor Jim Brown
Councillor Gail Casey
Councillor Karen Conaghan
Councillor Ian Dickson
Councillor Diane Docherty
Councillor Jim Finn
Councillor Daniel Lennie
Councillor Caroline McAllister

Councillor Douglas McAllister
Councillor David McBride
Councillor Jonathan McColl
Councillor Iain McLaren
Councillor Marie McNair
Councillor John Millar
Councillor John Mooney
Councillor Lawrence O'Neill
Councillor Sally Page
Councillor Martin Rooney
Councillor Brian Walker

Chief Executive

Strategic Director - Transformation & Public Service Reform

Strategic Director - Regeneration, Environment & Growth

Chief Officer - West Dunbartonshire Health & Social Care Partnership

Date of issue: 17 October 2019

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WEST DUNBARTONSHIRE COUNCIL

WEDNESDAY, 30 OCTOBER 2019

AGENDA

1 STATEMENT BY CHAIR – AUDIO STREAMING

The Chair will be heard in connection with the above.

2 APOLOGIES

3 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in any of the items of business on this agenda and the reasons for such declarations.

4 MINUTES OF PREVIOUS MEETING 7 - 23

Submit for approval as a correct record the Minutes of Meeting of West Dunbartonshire Council held on 28 August 2019.

5 MINUTES OF AUDIT COMMITTEE 25 - 30

Submit for information and where necessary ratification the Minutes of Meeting of the Audit Committee held on 12 June 2019.

6 OPEN FORUM

The Council is asked to note that no open forum questions have been submitted by members of the public.

7 GLASGOW CITY REGION CITY DEAL - UPDATE 31 - 39

Submit report by Strategic Lead – Regeneration advising of progress with the implementation of the Glasgow City Region, City Deal.

8/

8 AUDITED ANNUAL ACCOUNTS 2018/19 – ANNUAL AUDIT REPORT TO MEMBERS AND CONTROLLER OF AUDIT 41 – 255

Submit report by the Strategic Lead – Resources on the above.

9 GENERAL SERVICES BUDGETARY CONTROL REPORT TO PERIOD 6 To Follow

Submit report by the Strategic Lead – Resources advising on the General Services revenue budget and the approved capital programme to 30 September 2019 (Period 6).

10 HOUSING REVENUE ACCOUNT (HRA) BUDGETARY CONTROL REPORT TO PERIOD 6 To Follow

Submit report by the Strategic Lead – Housing & Employability providing an update on the financial performance to 30 September 2019 (Period 6) of the HRA revenue and capital budgets.

11 TREASURY MANAGEMENT MID YEAR REPORT 2019/20 257 - 269

Submit report by the Strategic Lead – Resources providing an update on treasury management during the first six months of 2019/20.

12 NOTICES OF MOTION

(a) Motion by Councillor Jim Bollan – May Bank Holiday

The May Day Bank Holiday celebrates International Workers Day. It is an important day in the Working Class calendar that we must respect.

Council therefore agrees WDC employees will have an additional day of annual leave on 4 May 2020 allowing all our workers to mark VE day with the rest of the Country, and International Workers Day. The additional outlay that would be incurred by the Council is estimated at approximately £100,000 which can be met from Council reserves.

(b) Motion by Councillor Jim Bollan – Supporting ‘Our Turn’ Initiative

This Council resolves to support the STUC/Dumfries TUC/Safe Passage/Kindertransport Association "Our Turn" initiative. To this end, WDC agrees to recommend to the West Dunbartonshire Health and Social Care Partnership/

Partnership Board that the Board uses its resources to help find places in volunteer households for at least 3 unaccompanied child refugees per year for each of the next 10 years, provided that the UK Government underwrites financial support for these refugees in full in line with Scottish Legislation. This Council also resolves to use its resources for the education of those child refugees.

(c) Motion by Councillor John Mooney – Linnvale

Council notes the concerns of the Linnvale Community expressed by Save Linnvale Greenspace, Linnvale & Drumry Community Council, and hundreds of individual residents of Linnvale about the potential loss of greenspace at Strauss Avenue.

Accordingly, Council agrees to consult all Linnvale residents about their views on how this greenspace should be used and report back to a future Council meeting.

(d) Motion by Councillor David McBride – Future Housing Supply Concerns

The Chartered Institute of Housing (CIH) published the 2019 UK Housing Review Autumn Briefing Paper highlighting progress towards meeting the Scottish Government's target to deliver 50,000 affordable homes over five years.

Callum Chomczuk, Director of CIH Scotland said:

“While we are pleased that the Scottish Government's commitment to affordable housing supply is providing good quality homes across the whole of Scotland, we have deep concerns about future funding arrangements. The 50,000 homes target represented a significant increase in funding for new homes and as we can see from the figures, it has taken the sector several years to build up the capacity to deliver homes in the volume that we need.

“We have had no indication of what funding levels will be after next year and there's a danger that social landlords will simply have to stop building. Skilled staff will leave the sector and we will end up back where we started. The 50,000 homes target is just beginning to make up for loss of affordable homes through right to buy and planned demolitions of old stock that was no longer fit for purpose.

If we are serious about increasing affordable housing in Scotland, to end homelessness, improve health and well-being and reduce poverty and inequality, we need a long-term plan for delivery backed by funding.”

Council notes these serious concerns from CIH and call upon the Leader of the Council, and Housing & Communities Convenor to meet with The Minister for Local Government, Housing & Planning.

The/

The purpose of this meeting is to ensure West Dunbartonshire's Local Housing Strategy which was approved in 2017 for the years 2017-2022 is not jeopardised by not having a long-term plan for housing delivery; and to set funding needed to build more new social housing across West Dunbartonshire now and post-2022.

WEST DUNBARTONSHIRE COUNCIL

At the Meeting of West Dunbartonshire Council held in the Council Chamber, Clydebank Town Hall, Dumbarton Road, Clydebank on Wednesday, 28 August 2019 at 6.05 pm

Present: Provost William Hendrie, Bailie Denis Agnew and Councillors Jim Bollan, Jim Brown, Karen Conaghan, Ian Dickson, Diane Docherty, Daniel Lennie, Caroline McAllister, Douglas McAllister, David McBride, Jonathan McColl, Iain McLaren, Marie McNair, John Mooney, Lawrence O'Neill, Sally Page, Martin Rooney and Brian Walker.

Attending: Joyce White, Chief Executive; Angela Wilson, Strategic Director – Transformation & Public Service Reform; Richard Cairns, Strategic Director – Regeneration, Environment & Growth, Beth Culshaw, Chief Officer, Health & Social Care Partnership, Peter Hissett, Strategic Lead – Regulatory (Legal Officer); Stephen West, Strategic Lead – Resources; Laura Mason, Chief Education Officer; Malcolm Bennie, Strategic Lead – Communications, Culture & Communities; Jim McAloon, Strategic Lead – Regeneration; Gillian McNeilly, Finance Manager; Colin McDougall, Audit Manager; Amanda Coulthard, Performance & Strategy Manager and Christine McCaffary, Senior Democratic Services Officer.

Apologies: Apologies for absence were intimated on behalf of Councillors Gail Casey, Jim Finn and John Millar.

Provost William Hendrie in the Chair

STATEMENT BY CHAIR – AUDIO STREAMING

The Provost advised that the meeting was being audio streamed and broadcast live to the internet and would be available for playback.

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda.

URGENT ITEMS OF BUSINESS
(1) QUESTION FROM COUNCILLOR MOONEY
(2) PUBLIC CONSULTATION ON BUDGET CUTS

Provost Hendrie advised that he had received a request from Councillor Mooney for an urgent question to Councillor McColl and a request from Councillor Rooney on an urgent motion in connection with the public consultation on budget cuts.

The Provost agreed that Councillor Mooney's question would be taken after the Notice of Motions on the agenda and that Councillor Rooney's urgent motion would be taken immediately after the deputation from the Trades Unions.

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of West Dunbartonshire Council held on 26 June 2019 were submitted and approved as a correct record.

MINUTES OF AUDIT COMMITTEE

The Minutes of Meeting of the Audit Committee held on 20 March 2019 were submitted and approved as a correct record.

OPEN FORUM

The Council noted that no open forum questions had been submitted by members of the public.

REQUEST FOR DEPUTATION
UNISON AND UNITE - CUTS AND PUBLIC CONSULTATION

In accordance with Standing Order 18 the Council agreed to receive a deputation from Unison and Unite in connection with the above.

The Provost invited the delegation forward to speak to the meeting. Val Jennings, Unison Convener and Margaret Wood, Unite Convener, West Dunbartonshire Branches were then heard express their concerns with the public consultation, management adjustments and threat to terms and conditions.

Following questions from Members both speakers returned to their seats.

URGENT ITEM OF BUSINESS
COUNCILLOR ROONEY – PUBLIC CONSULTATION

Councillor Rooney, seconded by Councillor McBride moved:-

Consultation is the cornerstone of any democracy and should be viewed as a positive and empowering experience. However, under this SNP Administration, consultation has lost all meaning. How callous is this SNP administration, propped up by Baillie Agnew, to ask our young people, elderly, infirm, disabled and vulnerable to CHOOSE the cut they want? Is this some sort of Trumpian democracy?

Whatever loaded form it comes in, Labour certainly do not recognise or endorse it. We are horrified that the SNP are imposing £9 million worth of cuts to services – despite their leader, First Minister Nicola Sturgeon, confirming there is no need for any cuts in services in West Dunbartonshire.

If SNP Group Leader, Jonathan McColl, is dismissing the view of his Party Leader, then what chance do our citizens have of making him listen?

It is blindingly obvious, as the Speaker of Parliament would say, that this SNP Administration is completely out of touch with our citizens' views. Nobody is happy with cuts affecting our schoolchildren, community groups, grass cutting services, and community alarm price hikes for our vulnerable.

That is why Labour is taking the unprecedented move of discouraging residents in West Dunbartonshire from participating in the Council Budget Consultation.

Our citizens do not deserve to be the turkeys voting for Christmas and the SNP need to stop blaming our hard-working citizens for wanting budget cuts – that simply is not the case.

Labour will not be encouraging any citizens to complete this survey until such time that a ZERO CUTS BUDGET option is on the consultation paper.

We ask fellow citizens and Councillors to endorse the Labour Party's position and support our 'Boycott the Budget Consultation' Campaign.

If you use Twitter, we would appreciate residents using the #BoycottTheBudgetConsultation hashtag line to spread the word.

Democracy is being eroded under the SNP; support this Motion to see it restored for the good of our citizens.

As an amendment, Councillor McColl seconded by Councillor Dickson moved:-

Council thanks the joint Trade Unions for their deputation and agrees that the simple fact is that we need more central funding if we are to deliver the services our citizens need.

Even with no central funding cuts, service enhancements or added requirements from the Scottish or UK Governments, the Council needs

approximately an extra £5m in funding just to stand still; this is due to inflation, wage rises and increasing needs of our residents.

The Council's cumulative projected gap over the next two years is almost £17m and is likely to increase into the following year. While West Dunbartonshire Council is committed to doing everything we can to protect jobs and services, the reality is that if austerity continues, across the UK Councils, including ours, will be struggling to provide statutory services; indeed some already are.

BREXIT is also an unquantifiable, extreme risk to the UK economy and we have no idea how it will affect Council finances.

Council reaffirms our support for the Trade Unions' anti-austerity campaign, and in light of feedback from the Trade Unions last year, this year's budget consultation is very different:

- There are no questions asking people to choose savings options.
- People are not being asked to give us feedback on a balanced budget.
- People are instead being asked to tell us what services areas they value most, and if there are areas they would like to see enhanced.
- People can choose to tell the Council that they wish us to prioritise investment in all services areas if they wish.
- Savings/Enhancement options will be published towards the end of the year, but we will not hold a specific consultation on them as per the request from Trade Unions.

Councillors will use the feedback from the budget consultation to make political decisions about how we should balance the budget.

Council welcomes input and advice from anyone with knowledge of our services and we fully encourage members of the public, and staff to take part in the consultation.

Council notes that as always, the Administration welcomes ideas and input from Trade Union and Councillor colleagues cross party in setting our budget.

Between now and February, we encourage our colleagues to bring forward realistic suggestions for ways in which we can make savings or increase the money we have available to spend to enable us to protect staff and services.

At the request of Councillor O'Neill the Council proceeded by way of a roll call vote.

On a vote being taken 10 members voted for the amendment, namely Provost Hendrie, Baillie Agnew and Councillors Brown, Conaghan, Dickson, Docherty, Caroline McAllister, McColl, McLaren and McNair and 9 members voted for the motion, namely Councillors Bollan, Lennie, Douglas McAllister, McBride, Mooney, O'Neill, Page, Rooney and Walker. The amendment was declared carried.

GLASGOW CITY REGION CITY DEAL UPDATE

A report was submitted by the Strategic Lead – Regeneration advising of progress with the implementation of the Glasgow City Region, City Deal.

Following discussion, Councillor McColl moved that the Council agrees:-

- (1) to note the progress of the Glasgow City Region (GCR) City Deal; and
- (2) to note progress with the Council's project for the Exxon site.

The Council agreed the motion.

Councillor Bollan, having failed to find a seconder for a proposed amendment, requested that his dissent be recorded in respect of this item.

ANNUAL REPORT ON AUDIT COMMITTEE

A report was submitted by the Strategic Lead – Resources providing an Annual Report on the Audit Committee for 2018/19.

After discussion and having heard the Audit Manager in answer to Members' questions Council noted the report.

GENERAL SERVICES BUDGETARY CONTROL REPORT - PERIOD 4

A report was submitted by the Strategic Lead – Resources on the above.

After discussion and having heard officers in answer to Members' questions, the Council agreed:-

- (1) to note that the revenue account currently shows a projected annual favourable variance of £0.039m (0.02% of the total budget);
- (2) to note that the capital account shows that planned expenditure and resource for 2019/20 is lower than budgeted by £1.635m (2.35% of the budget), made up of £2.076m (2.98% of the budget) relating to project slippage, partially offset by £0.441m relating to an in year overspend; and
- (3) to delegate to the meeting of the Audit Committee in September 2019 the formal approval of the audited Financial Statements on behalf of the Council and note that the audited Statements will be reported to Council in October 2019.

ADJOURNMENT

Following a request from Councillor McColl the Council agreed to a short adjournment.

The meeting reconvened at 8.28 p.m. with all those noted in the sederunt present.

HOUSING REVENUE ACCOUNT (HRA) BUDGETARY CONTROL REPORT - PERIOD 4

A report was submitted by the Strategic Lead – Housing & Employability providing an update on the financial performance to 31 July 2019 (Period 4) of the HRA revenue and capital budgets.

The Council agreed:-

- (1) to note the contents of the report which shows the revenue budget forecast to underspend against budget by £0.029m (0.1%) at the year-end; and
- (2) to note the net projected annual position in relation to relevant capital projects which is showing no projected variance.

TREASURY MANAGEMENT ANNUAL REPORT 2018/19

A report was submitted by Strategic Lead – Resources providing an update on treasury management during 2018/19.

The Council agreed:-

- (1) to note the treasury management stewardship information within the report;
- (2) to note the 2018/19 actual prudential indicators as advised within the report (Tables 2, 3, 4 and 5);
- (3) to note the future repayment profile of loans fund advances as at 31 March 2019 (Table 8 of the report); and
- (4) that a copy of the report be remitted to the Audit Committee to ensure further scrutiny takes place.

UPDATE OF THE FINANCIAL REGULATIONS

A report was submitted by the Strategic Lead – Resources seeking approval of the revised Financial Regulations.

Councillor Dickson moved:-

- (1) that the Council approves the revised Financial Regulations, as attached to the report, for implementation on 15 September 2019; and
- (2) that the Council delegate authority to the Strategic Lead – Resources, together with the Strategic Lead – Regulatory, to make necessary amendments to the appropriate terms of the Financial Regulations relative to EU procurement law should the United Kingdom leave the European Union.

The Council agreed the motion.

Councillor Bollan, having failed to find a seconder for a proposed amendment, requested that his dissent be recorded in respect of this item.

WEST DUNBARTONSHIRE ANNUAL PERFORMANCE REPORT 2018/19

A report was submitted by the Strategic Lead – Communications, Culture & Communities presenting the West Dunbartonshire Council Annual Report 2018/19.

After discussion and having heard the Performance & Strategy Manager in further explanation of the report, the Council agreed to note the contents of the Annual Report 2018/19.

AUDIO STREAMING OF COUNCIL MEETINGS

A report was submitted by the Strategic Lead – Regulatory seeking approval to continue the audio streaming of Council and certain committee meetings.

Following discussion, the Council agreed:-

- (1) that the audio-streaming of Council meetings continue for all ordinary and special meetings of full Council and the undernoted service committees:
 - Corporate Services Committee;
 - Educational Services Committee;
 - Infrastructure and Regeneration Committee;
 - Housing and Communities Committee; and
- (2) that officers seek the best pricing option with the existing contractor to deliver the audio-streaming requirements of this Council.

JOINT COLLABORATION: WEST DUNBARTONSHIRE AND INVERCLYDE COUNCILS

A report was submitted by the Strategic Director – Transformation & Public Service Reform advising of proposals for further joint collaboration with Inverclyde Council.

Councillor McColl, seconded by Councillor Dickson moved that the Council agrees:-

- (1) to approve the implementation of the Internal Audit shared management model between Inverclyde and West Dunbartonshire Councils;
- (2) to note the timeline for the development and implementation of the Fleet, Waste and Grounds collaborative model; and
- (3) to note that a report providing an update on the above will be remitted to the Shared Services Joint Committee in October 2019.

As an amendment Councillor Rooney, seconded by Councillor Bollan moved:-

The Council notes the report but takes no further action. The Council does not agree with the Internal Audit shared management model. We do not agree with the Strategic Lead - Roads and Transportation assuming responsibility for fleet, waste and grounds services from October, and Labour supports Option 4, which is the status quo.

On a vote being taken 7 Members voted for the amendment and 12 for the motion, which was declared carried.

QUESTION FROM COUNCILLOR JIM BOLLAN TO COUNCILLOR JONATHAN McCOLL

Councillor Bollan put the following question to Councillor McColl:-

On 27th March, 2019, Council agreed to review its current charging policy for non-residential social care.

Will this review undertake an Equality Impact Assessment, according to the Equality Act 2010, of such a policy?

If so, what aspects and outcomes of the policy will that assessment cover; and will those aspects and outcomes include the total level, as well as the range of levels of debt to the individual, such a policy accrues?

Councillor McColl replied as follows:-

On the 27th of March 2019 the Council agreed to review its current charging policy for non-residential social care.

Initial Equality Impact Assessments (EIAs) were carried out by relevant Heads of Services which covered the increase to Community Alarms and Charging for Day Opportunities in 2018/19. The completed EIAs will be published on the HSCP website in due course.

The EIAs considered the impact on all protected characteristics under the Equality Act considered including socio economic status.

Initial findings highlighted that while a consistent charging policy across all care groups would be welcomed, some groups of people with protected characteristics particularly age, sex and disability may initially find charges off-putting. The EIA also highlighted that there was the potential for individuals to exercise more choice and access more personalised day opportunities in line with self-directed support principles. A clearer charging policy for both learning disability day opportunities and additional care at home services will mean that eligible older people with learning disabilities will be able to navigate the support systems in a clearer way.

A number of actions agreed for 2019/20 include;

- Six monthly monitoring of users affected by age, sex and disability to ascertain the profile of users who may no longer be accessing the services
- Regular consultation with user groups affected as per routine service practices
- Ensuring that individuals' incomes are maximised and other opportunities are accessed through continued support from WDC Working 4 U.
- Considering and monitoring the impact on carers and adult carers support plans by sex, disability and age
- Development of appropriate policies in place for supporting individuals who are assessed as being at risk, but who may refuse to pay the charges
- Ensuring that the information on the HSCP and Council website regarding charges is fully updated and ensuring that the information is available in different formats.

Councillor Mooney, having had the agreement of the Council, proceeded to ask his urgent question to Councillor McColl at this point in the meeting.

URGENT QUESTION FROM COUNCILLOR JOHN MOONEY TO COUNCILLOR JONATHAN McCOLL

Councillor Mooney put the following question to Councillor McColl:-

Will the Leader of the Council bear in mind when he attends the COSLA Leaders' meeting on Friday that the proposed new funding formula for

school nursing and counselling will significantly reduce the funding available to West Dunbartonshire? Will he also convey his dismay that the allocation of this funding has taken so long and that SIND data on the levels of deprivation in West Dunbartonshire have not been taken into account?

Councillor McColl replied as follows:-

Yes and yes. Can I also thank Councillor Mooney for raising the questions. I have a briefing for attending the COSLA meeting and will share that with Councillor Mooney and am happy for him to share that with colleagues and I will update Councillor Mooney after the COSLA meeting to let him know how the meeting went and what other colleagues were saying.

NOTICES OF MOTION

(a) Motion by Councillor Jim Bollan - Biodiversity

Councillor Bollan, seconded by Councillor Douglas McAllister moved:-

Council agrees to draw up a Biodiversity plan for West Dunbartonshire and actively involve the local communities in the planning, development and use of these Biodiversity areas across West Dunbartonshire. These areas require to be in suitable locations, with appropriate soil, plus have wildflowers added to encourage the bees, birds, butterflies and other insects to use the areas to help protect the ecosystems.

The areas of open land in various parts of West Dunbartonshire at present where the grass and weeds have been left uncut due to budget reductions are, unsightly, strewn with litter, dogs dirt, and are not areas where bees will pollinate."

As an amendment Councillor McLaren, seconded by Bailie Agnew moved:-

Council notes the progress made since 2010 in improving the area's biodiversity and instructs officers to refresh the current biodiversity plan, and bring it to a future IRED committee for consideration.

The report should include a summary of progress made to date, and what future activities can be done to improve the biodiversity of West Dunbartonshire. It should also include an action plan to control invasive species in the area, particularly Himalayan Balsam which is rampant in many parts.

Council notes that many departments are key to the success of our biodiversity programme, for example Greenspace, Roads and HAC, and asks

that these departments work together to include in the report how success can be achieved.

Council notes that biodiversity areas are not just created by simply leaving them alone; they require careful management – especially in April and September – and asks that the report being brought to IRED includes what additional resources would be required to manage these areas better, along with an options appraisal to reinstate the Biodiversity Officer post.

Council further notes that Greenspace work closely with communities and individuals with regard to biodiversity issues, and that areas given over to biodiversity can take several years for nature to return to them.

Council further instructs officers to begin the process of designating Brucehill Cliffs / Havoc Meadows as a Local Nature Reserve, which has become a site of outstanding biodiversity and beauty, and enjoyed recreationally by many.

On a vote being taken, 10 Members voted for the amendment and 9 for the motion which was declared carried.

SUSPENSION OF STANDING ORDERS

At this point Councillor Dickson stated that as no Member had moved to suspend Standing Order 7(c) earlier in the meeting that the meeting would require to be reconvened and the remaining business continued to a meeting to be held within the next fourteen days.

Councillor McBride asked if it was possible to suspend Standing Orders and conclude the remaining business this evening.

Following discussion the Legal Officer advised that it would be possible for the Council to suspend Standing Order 7(c) provided two thirds of Members present so decided.

Councillor McBride, seconded by Councillor Douglas McAllister moved that Council agrees to suspend Standing Order 7(c). The Council agreed the motion and the business remaining on the agenda was considered.

ADJOURNMENT

Following a request from Councillor Caroline McAllister, the Council agreed to adjourn the meeting for a short period.

The meeting reconvened at 10.33 p.m. with all those Members noted in the sederunt present.

(b) Motion by Councillor David McBride – Civic Space Church Street

Councillor McBride, seconded by Councillor O'Neill moved:-

Council notes the capacity of the public viewing gallery in the Church Civic Space is limited. While this provides sufficient seating for most meetings, depending on the agenda item this will not accommodate the capacity required if there is a contentious issue being considered, or for the annual budget setting meeting. We note the many interested members of the public were locked out of the June meeting when the Flamingoland development was being considered. Council believes public interest in local democracy should be encouraged and if possible, we should attempt to satisfy demand for people to attend meetings if they wish.

Therefore, we call on the Chief Executive to arrange space planning to maximise public attendance in the Church St Civic Space when demand is required. If a large attendance of the public is anticipated for a Council Meeting the seating could be arranged in a similar manner to committee meetings, possibly at one side of the Civic Space and not dissimilar to the arrangement in the Council Chamber in Clydebank Town Hall. This could allow additional seating and increase capacity to attend Council Meetings. In addition, a temporary barrier could be procured to ensure there is a suitable defined space for Elected Members, Officers and members of the public.

Council also requests that the Chief Executive reports back to next Council with options and costs of proposals which could also include live visual streaming to the large screen in the Council Staff area. In addition, we would also wish to consider holding meetings if required in the Lesser Town Hall when the Clydebank Council Chamber proves unable to accommodate the public. Therefore, we also request any costs involved to ensure this supports the live streaming of meetings.

As an amendment Councillor Conaghan, seconded by Bailie Agnew moved:-

Council notes that the capacity of the viewing galleries in both Church Street and Clydebank Town Hall are limited, in common with every public viewing gallery in Councils and Parliaments across the UK.

A selection of Councils have advised officers that they have the following public viewing space:

West Dunbartonshire (Church Street, Dumbarton)	-	30
Inverclyde	-	28
East Renfrewshire	-	27
Renfrewshire	-	27
West Dunbartonshire (Clydebank Town Hall)	-	26
Argyll & Bute	-	25
West Lothian	-	23
Glasgow	-	20

Council notes from the above list that the capacity in Church Street is greater than that of other Councils, including the largest Council in Scotland, Glasgow City Council. Similarly, the Capacity in Clydebank Town Hall is comparable with others. As such Council agrees our public viewing capacity entirely appropriate.

West Dunbartonshire Council believes public interest in democracy should be encouraged, which is why we now livestream our meetings, and have hundreds of listeners for each full Council.

If Council was to adjourn to the lesser hall in Clydebank, those people would be disenfranchised, unable to hear proceedings either live or afterwards.

Such a policy would also mean refusing any bookings on all Council days, given the agenda isn't known until a few weeks before the meetings, and weddings are rarely booked at such short notice.

While the idea of streaming into the Church Street Atrium seems like a good solution in Dumbarton, it would be impractical given staff are still working when many Council meetings are taking place, and need use of this non-public space for themselves.

Given the above, Council agrees to take no action on this issue.

On a vote being taken 10 Members voted for the amendment and 9 for the motion. The amendment was declared carried.

(c) Motion by Councillor Martin Rooney – Self Directed Care

Councillor Rooney, seconded by Councillor Mooney moved:-

This Council notes the recent review of Self Directed Care by the Care Inspectorate highlighted limited progress by West Dunbartonshire Health & Social Care Partnership.

The Partnership has fallen further behind the Scottish average in terms of Self Directed Care.

In 2015/16 the Scottish average implementation rate was 26% but by 2016/17 the national average had increased to 39%. However, West Dunbartonshire Health & Social Care Partnership implementation rate was just 3%.

The West Dunbartonshire Health & Social Care Partnership was ranked 32 out of 32 local authorities in Scotland on the percentage of social care clients who had made an informed choice regarding Self Directed Care.

The West Dunbartonshire Health & Social Care Partnership was ranked 28 out of 32 Scottish local authorities on the percentage of adults that used direct payments or personalised managed budgets to meet their support needs.

The West Dunbartonshire Health & Social Care Partnership annual public performance report in 2017 reinforced its commitment to meeting the requirements of self directed support legislation but the partnership has failed to meet these commitments.

The Care Inspectorate identified that there was evidence of poor personal outcomes in 32% of the case studies they read.

The inspectors also noted that the West Dunbartonshire Health and Social Care Partnership had not used evidence to inform changes and improvement and had not fully assessed the potential implications of Self Directed Care legislation and the implications of the Carers (Scotland) Act 2016 on its finances.

Given the above, the Council calls for a copy of the recently published West Dunbartonshire Health and Social Care Partnership report on Self Directed Care to be presented to the next Council meeting for public scrutiny by all elected members.

A copy of the Care Inspectorate's Thematic Review of Self-Directed Support in Scotland is appended as the Appendix to these minutes.

As an amendment Councillor McNair, seconded by Bailie Agnew moved:-

This Council notes that the matter was fully considered at the Health & Social Care Partnership's Integrated Joint Board, and an action plan was unanimously agreed to sufficiently address the issues raised.

On a vote being taken, 10 Members voted for the amendment and 9 for the motion. The amendment was declared carried.

(d) Motion by Councillor David McBride – Road Closures

Councillor McBride, seconded by Councillor Lennie moved:-

Council notes there has been significant road works locally in the last few months. Of course we recognise the maintenance is absolutely necessary and often an emergency by utilities. However, in recent months the local community has endured significant delays and inconvenience. Therefore, Council requests the Chief Executive provides a report of road works in the last six months and review if any lessons can be learned for future projects that could be introduced before and during major roadworks.

The report should review preparation of the road closures, consultation with local residents & businesses to attempt to minimise disruption and mitigate this where possible. In future, it should be mandatory that road closures discussions are held with bus companies to ensure some form of service is retained. For example, Silverton residents service was severely disturbed following the Glasgow Road gas replacement pipes. Clearly, this will have had a huge impact in many residents' day to day lives. In addition, diversion signage installed by contractors have proved confusing and inadequate. WDC roads staff should always be on site prior to the immediate work starting. Officers should have the authority to postpone work if the signage or parking restrictions required have not been introduced by the contractors as agreed.

In addition, the level of road works may be unsustainable in terms of sufficient staffing for our officers. This should therefore also be taken into consideration when planning and while authority for road closures is agreed.

The report with findings and recommendations should be submitted to next suitable Council Meeting.

As an amendment Councillor McLaren seconded by Councillor McNair moved:-

Council notes that there has been disruption to the authority's roads network this summer, caused by a number of unpredictable external factors classified as emergency works. Between June and August this year there were 304 urgent and emergency works notified, all of which were notified to the council within 24 hours, 99 of which were notified either before work started or within two hours of it starting.

Council further notes that the correct and appropriate liaison with bus companies is via the transport authority, SPT, who then liaise with bus companies.

Council further notes the excellent progress made in improving our authority's roads, including £1.54m of improvement works in 2017/18, £5.13m in 2018/19 and a fully committed infrastructure budget for 2019/20 of over £5.47m.

Council gives thanks to the Roads Department for their continuing improvement works and diligence in managing and monitoring emergency works according to legislation, and to the public for their patience during roadworks. Council asks that a report be brought to the IRED committee detailing the roads improvements to date, what the department does to mitigate the impact of closures, and any recommendations that may mitigate the impact of future roadworks.

On a vote being taken, 10 Members voted for the amendment and 9 for the motion. The amendment was declared carried.

(e) Motion by Councillor Caroline McAllister – Community Alliance

Having heard the Legal Officer, a vote was taken to suspend Standing Order 20 to allow consideration of Item 18(e) – Motion by Councillor Caroline McAllister – Community Alliance.

11 Members voted to suspend Standing Order 20, however due to a two-thirds majority of those present not being obtained, the Standing Order was not suspended and the item was not considered.

(f) Motion by Councillor Douglas McAllister – Clydesdale Harriers – Above Inflation Letting Charges

Councillor Douglas McAllister, seconded by Councillor O'Neill moved:-

This Council is disappointed to learn that a community sports group that actively encourages participation by young people into sports activities has been subjected to an 18% increase in its letting charges at St Peter The Apostle in Clydebank.

The club targets the young people from the five mainstream secondary schools and it keeps its rates low to remove barriers for less well-off young people so that they can fully participate in their activities.

In the Year of Young People, it is indeed unfortunate that the club had seen its letting costs increase from £7,000 to £8,000.

Council calls on the Chief Executive to explore options and to bring a report to the next Council meeting with a resolution to the situation.

This could include setting up a support grant from reserves to help the organisation to obtain financial support to keep its club fees affordable. Alternatively it could be a supported grant from the Year of Young People legacy fund.

Council also notes that the club had been informed that they would have their access to facilities at St. Peter The Apostle Secondary School cut back essentially locking/

Locking the community out of using the sports facilities including the community use of the running track etc.

The Council report should also explore the rationale for this change and consider the implications of reversing this so that the club can continue to provide the service to local young people.

As an amendment, Councillor Conaghan seconded by Bailie Agnew moved:-

Council notes that the letting charges were increased by 14% as part of the Council's strategy to maximise income while ensuring our facilities remain competitive and available to local groups.

Council further notes that information from the department confirms the Clydesdale Harriers have bookings for 172 lets in 2019/20 compared to 176 lets in 2018/19, a reduction of just four. Officers have also confirmed that access to the school hall has only been restricted during exam periods to minimise disruption for pupils and staff; Council does not consider this an unreasonable decision.

Council invites the member who raised this motion to assist his constituents in making an application to the Council's "Year of Young People Fund".

On a vote being taken, 10 Members voted for the amendment and 9 for the motion. The amendment was declared carried.

(g) Motion by Councillor Ian Dickson – Use of Solar PV

Councillor Dickson moved:-

Having recently recognised the climate emergency Council asks officers to investigate and provide a report on increasing the council's energy self-sufficiency through the use of solar PV. The use of solar panels can generate locally some or all of the energy our new build and existing buildings consume, reducing our consumption of fossil fuel derived energy. This report should be available for councillors to consider in time for the budget setting meeting in March 2020.

The Council agreed the motion.

The meeting closed at 12.13 a.m.

Draft

AUDIT COMMITTEE

At a Meeting of the Audit Committee held in the Council Chamber, Clydebank Town Hall, Dumbarton Road, Clydebank on Wednesday, 12 June 2019 at 10.00 a.m.

Present: Councillors Jim Brown, Jonathan McColl, Martin Rooney and Brian Walker, and Lay Member Mr Chris Johnstone.

Attending: Joyce White, Chief Executive; Angela Wilson, Strategic Director – Transformation & Public Service Reform; Richard Cairns, Strategic Director – Regeneration, Environment & Growth; Stephen West, Strategic Lead – Resources; Julie Slavin, Chief Financial Officer, West Dunbartonshire Health & Social Care Partnership, Colin McDougall, Audit and Risk Manager; Amanda Coulthard, Performance & Strategy Manager; Jennifer Ogilvie, Finance Business Partner and Craig Stewart, Committee Officer.

Also Attending: Ms Fiona Mitchell-Knight, Assistant Director; Mr Richard Smith, Senior Audit Manager and Zahrah Mahmood, Senior Auditor, Audit Scotland.

Apologies: Apologies for absence were intimated on behalf of Councillors Karen Conaghan, Daniel Lennie and John Millar and Lay Member Ms Eilidh McKerry.

Councillor John Mooney in the Chair

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda.

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of the Audit Committee held on 20 March 2019 were submitted and approved as a correct record.

OPEN FORUM

The Committee noted that no open forum questions had been submitted by members of the public.

AUDIT SCOTLAND REVIEW OF INVESTIGATION INTO TENDERING AND CONTRACTING PRACTICES IN ROADS AND GREENSPACE SERVICES

A report was submitted by the Chief Executive providing an update on the outcome of the Audit Scotland review of the Council's internal audit investigation into Tendering and Contracting Practices in Roads and Greenspace Services and recommendations arising.

After discussion and having heard the Chief Executive, Audit and Risk Manager and the Strategic Director – Transformation & Public Service Reform in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note that the report had been considered by Council and was referred to the Audit Committee for scrutiny;
- (2) to note the contents of the report;
- (3) to note the report and recommendations from Audit Scotland at Appendix A to the report; and
- (4) to note the Council action plan outlining progress to date and further planned activity at Appendix B to the report.

PRUDENTIAL INDICATORS 2018/19 TO 2028/29 AND TREASURY MANAGEMENT STRATEGY 2019/20 TO 2028/29

A report was submitted by the Strategic Lead – Resources advising of the proposed Prudential Indicators for 2018/19 to 2021/22 and Treasury Management Strategy (including the Investment Strategy) for 2019/20 to 2021/22.

After discussion and having heard the Finance Business Partner in further explanation of the report and in answer to a Member's questions, the Committee noted that on 27 March 2019, Council:-

- (1) agreed the following Prudential Indicators and Limits discussed in Appendix 1 to the report and set out within Appendix 6 to the report for the period 2019/20 to 2021/22:-

Capital Expenditure and Capital Financing Requirements (Tables A and B);

Forecast and estimates of the ratio of financing costs to Net Revenue Stream (Table D);

- (2) approved the policy for loans fund advances discussed in Appendix 1 to the report in section 3;
- (3) approved the Treasury Management Strategy for 2019/20 to 2021/22 (including the Investment Strategy) contained within Appendices 2 to 6 to the report;
- (4) agreed the following Treasury Prudential Indicators and Limits discussed in Appendix 2 to the report and set out within Appendix 6 to the report for the period 2019/20 to 2021/22:-

Operational Boundaries (Table F);

Authorised Limits (Table G);

Counterparty Limits (Table J); and

Treasury Management Limits on Activity (Table L);

- (5) noted the draft Prudential and Treasury Management Indicators for the period 2022/23 to 2028/29 discussed in Appendices 1 and 2 to the report and set out within Appendix 6 to the report;
- (6) approved the statement by the Section 95 Officer regarding the gross debt level in comparison to the Capital Financing Requirement (Appendix 2 to the report – Point 2.3);
- (7) referred the report to the Audit Committee to ensure further scrutiny took place.

AUDIT ACTION PLANS

A report was submitted by the Strategic Lead - Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against action plans previously issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Audit and Risk Manager, the Chief Executive, Ms Mitchell-Knight, Assistant Director, Audit Scotland and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to note the contents of the action plans; and
- (2) that, with effect from the Audit Committee meeting on 25 September 2019, onwards, that the following be approved:-

- (i) For planned audit assignments, include an executive summary of each audit report recently issued within the covering report along with action plan to form ongoing monitoring of progress in implementing agreed actions, with the full report being provided via a link to the website; and
- (ii) For investigation audits, include the executive summary with the addition of further information on the key findings, along with the action plan. Note: There may be occasions when the full investigation report is submitted to the Audit Committee, in which case this will be a redacted version, as appropriate.

INTERNAL AUDIT ANNUAL REPORT TO 31 MARCH 2018

A report was submitted by the Strategic Lead - Resources advising of the work undertaken by Internal Audit in respect of the Annual Audit Plan 2017/18 and advising Members of the contents of the Annual Assurance Statement given to the Section 95 Officer (Strategic Lead - Resources) in support of the Statement of Internal Financial Control/Governance Statement.

After discussion and having heard the Audit and Risk Manager, the Chief Executive and relevant officers in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) that the table in Appendix 1 to the report (Audit Plan 2018/19: Completed Audits) be reformatted in future to include information with regard to the reference number of the key audit work; and
- (2) otherwise to note the contents of the report.

COUNTER FRAUD ANNUAL REPORT 2018/19

A report was submitted by the Strategic Lead - Resources advising of the Council's fraud prevention, detection and investigation activity.

After discussion and having heard the Audit and Risk Manager, the Strategic Lead and the Chief Executive in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report.

CODE OF GOOD GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT

A report was submitted by the Strategic Lead – Resources:-

- (a) advising on the outcome of the annual self-evaluation undertaken of the Council's compliance with its Code of Good Governance; and
- (b) inviting the Committee to consider and approve the Annual Governance Statement that will be published in the Council's Abstract of Accounts.

After discussion and having heard the Strategic Lead, the Chief Executive and the Strategic Director – Transformation & Public Service Reform in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the outcome of the recent self-evaluation process in considering how the Council currently met the agreed Code of Good Governance, together with the issues identified and improvement actions; and
- (2) to consider the detail of the Annual Governance Statement and approve the actions identified by management to improve the internal control environment.

THE AUDIT COMMITTEE ANNUAL REPORT

A report was submitted by the Strategic Lead – Resources providing an Annual Report on the Audit Committee for 2018/19.

After discussion and having heard the Audit and Risk Manager in further explanation of the report, the Committee agreed:-

- (1) to approve the Annual Report on the Audit Committee for 2018/19; and
- (2) that the report should thereafter be referred to Council for consideration.

WEST DUNBARTONSHIRE BEST VALUE ASSURANCE REPORT

A report was submitted by the Strategic Lead – Communications, Culture & Communities providing an update on progress towards delivery of the improvement plan agreed with the Accounts Commission following the 2018 Best Value Assurance process of West Dunbartonshire Council.

After discussion and having heard the Performance & Strategy Manager in further explanation of the report and in answer to Members' questions, the Committee agreed to note the progress made to date against the Best Value Assurance Report (BVAR) improvement plan for West Dunbartonshire Council.

AUDIT SCOTLAND REPORT: WEST DUNBARTONSHIRE COUNCIL: MANAGEMENT REPORT 2018/19 – MAY 2019

A report was submitted by the Strategic Lead - Resources providing, for information, a report which has been received from our external auditors – Audit Scotland – and to provide information to Members as to the management actions implemented following receipt of this report.

After discussion and having heard Mr Smith, Senior Audit Manager, Audit Scotland and the Strategic Lead in further explanation of the report and in answer to

Members' questions, the Committee agreed to note the report and the agreed improvement actions.

ACCOUNTS COMMISSION REPORT: *LOCAL GOVERNMENT IN SCOTLAND CHALLENGES AND PERFORMANCE 2019*

A report was submitted by the Strategic Lead - Resources on the above.

After discussion and having heard the Audit and Risk Manager and the Performance & Strategy Manager in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the report and the position of the Council in terms of the report's recommendations as detailed at 4.2 of the report, along with the scrutiny tool for councillors contained at Appendix 2 to the report and the availability of an on line tool; and
- (2) that a future Elected Members' development session should take place in relation to this report.

ACCOUNTS COMMISSION REPORT: *HOW COUNCILS WORK – SAFEGUARDING PUBLIC MONEY: ARE YOU GETTING IT RIGHT?*

A report was submitted by the Strategic Lead - Resources providing information regarding a report recently published by the Accounts Commission as prepared by Audit Scotland.

After discussion and having heard the Audit and Risk Manager in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) note the attached report along with the series of checklists contained therein; and
- (2) that a future Elected Members' development session should take place in relation to this report.

The meeting closed at 11.32 a.m.

WEST DUNBARTONSHIRE COUNCIL

Report by the Strategic Lead for Regeneration

Council: 30 October 2019

Subject: Glasgow City Region City Deal – Update

1. Purpose

- 1.1** To note the progress with the implementation of the Glasgow City Region, City Deal.

2. Recommendations

- 2.1** It is recommended that Council:

- i) notes the progress of the Glasgow City Region (GCR) City Deal, and
- ii) notes progress with the Council's project for the Exxon site.

3. Background

- 3.1** The Glasgow City Region City Deal Infrastructure programme equates to £1.13bn of investment during period 2015-2035. Projects are progressing and have reached various stages from Strategic, Outline and Full Business Case stages of approval.

4. Main Issues

- 4.1** The delays experienced by Exxon in procuring their approach to remediating the site will continue for up to three months. This obviously delays progress in reaching a commercial agreement and the finalisation of the Environment Impact Assessment.

5. Glasgow City Region City Deal Update

- 5.1** The Glasgow City Region, Chief Executives' Group met on 29 August 2019 and approved the following project:
- i) The FBC and funding requirement of £4.66m for Glasgow City Council's Metropolitan Glasgow Strategic Drainage Partnership - Garrowhill Baillieston Surface Water Management project. This project will support the construction of sustainable urban drainage and supporting infrastructure to provide strategic surface water drainage, alleviating the risk of flooding and reducing the volume and rate of surface water

discharging to the combined sewer network. This will create additional drainage capacity and facilitate the regeneration of development sites. The addition of green infrastructure improvements will also enhance habitat creation and biodiversity.

5.2 Glasgow City Region Programme Status

5.2.1 There was submitted a Programme Status report by the Director of Regional Economic Growth to Cabinet on 8 October 2019 providing information on the status and progress of projects within the Glasgow City Region. This report is available as a background report. The Cabinet approved Infrastructure Change Control for the following project:

- i) Glasgow City Council: Metropolitan Glasgow Strategic Drainage Partnership (MGSDP) change in Timeline for Cardowan Surface Water Management Plan (SWMP): Construction end date delayed from May 2019 to December 2019 (7 month delay) due the translocation of fossorial water voles from the permanent works area, noted
- ii) updates from the Portfolio Groups and Intelligence Hub to be added to the future Programme Status Reports as stated in section D5, and authorised
- iii) the previous years' Working Matters grant payments due to member authorities of £0.133m as per table at C.1 in the programme status report.

5.2.2 The formal process for agreeing the release of the City Deal grant funding will be a series of five-yearly Gateway Reviews, commencing in 2019. Gateway Review 1 will be conducted by the National Evaluation Panel and reported to Government. In total there will be three Gateway Reviews (2019, 2024, and 2029) that will unlock the full £1 billion of funding from the UK and Scottish Governments.

5.2.3 SQW Limited presented an update to the Cabinet on 8 October 2019 on their evaluation work as part of the Gateway Review (GR) 1 process. The presentation is available as a background report.

5.2.4 The SQW presentation highlights progress focused on twelve projects/sub-projects expected to be most advanced by GR 1. By June 2019:

- 12 projects in scope had spent £158m, 90% of target;
- Total Fund spend was £168m, 86% of target;
- In June 2018, the total forecast Fund spend figure by GR1 was £320m or £289m including the £30m risk adjustment;
- Latest spend forecast to GR1 is £230m for all 21 projects;
- Two of the 12 projects have been completed Cathkin Relief Road & Gartcosh-Glenboig Link Road, and

- All of the 10 ongoing projects have been delayed to varying degrees, but are expected to be completed by GR2.

The City Deal is a 20 year programme, however there is some early evidence of outcomes through follow-on investments at Canal and North Gateway, Newton Community Growth Area (CGA), and the Glasgow Airport Investment Area (GAIA) project.

5.3 Annual Performance Report 2018/19

- 5.3.1** The fourth Annual Performance Report for the Glasgow City Region City Deal is for the period 1 April 2018 to 31 March 2019. The report is a requirement set out within the Assurance Framework with the aim of informing key stakeholders of the overall Programme status and to provide an indication of whether it is considered to be on track to successfully navigate the first Gateway in 2019. The report is available as a background report.
- 5.3.2** The report outlines progress made in the City Deal, with a number of significant milestones achieved including infrastructure spend approved of £263m as at end of March 2019 (annual reporting period). At the end of June 2019, Q1 2019/20 the spend approved is at £303.2m.
- 5.3.3** Progress continues in the delivery and impact of the infrastructure projects. The three Employability and Skills projects are now completed as are the three Innovation and Business Growth projects. There has been 8,085 young people supported into work through the Youth Gateway and 369 jobs created at Tontine in Glasgow. In North Lanarkshire, companies based at MediCity have raised over £11 million in private investment.

5.4 Glasgow City Region Programme Business Case 2019

- 5.4.1** The refreshed Programme Business Case (PBC) was approved at Cabinet on 8 October 2019 and this report which includes the Business Case Executive summary is available as a background report. The Programme Business Case concludes the following:
- a) As at March 2019, the Strategic Case shows there continues to be strong support and a clear, ongoing need for the City Deal Programme's targeted investment in the Region's people, businesses, physical and environmental assets, helping to support economic convergence across the Region and to protect and improve the Region's economic competitiveness on a national and global stage.
 - b) The Socio-Economic Case shows that, despite challenging economic conditions the Programme remains on target to achieve the original aspirational outcomes with regards to job creation and GVA growth set out within the City Deal Agreement while maintaining an overall positive value for money profile.

- c) The Commercial Case shows the Programme is on target to achieve the private sector leverage outcome set out within the City Deal Agreement. Community Benefit Clauses within contracts are helping to secure and deliver additional benefits for businesses and communities throughout the construction phase of the Programme.
- d) The Financial Case shows that, with a number of projects already complete, the Programme remains within budget. While the forecasted rate of expenditure has been slower than initially estimated, spend to date is significantly higher than grant receipts. Data also shows, there is a potential opportunity to reduce the significant cost of borrowing faced by the Member Authorities by changing the profile of annual grant payments to more closely match forecasted spend.
- e) The Management Case shows that sound Programme and Project-level governance and management arrangements are in place and Programme monitoring shows delivery remains on track with no major slippage reported. Evaluations Plans are being developed to ensure project and Programme outcomes can be determined and subsequent impacts estimated.

5.5 Glasgow City Region Assurance Framework

- 5.5.1** The Glasgow City Region City Deal Agreement required the development of an Assurance Framework. The first version was approved by Cabinet in 2015, with the Framework advising that it would be reviewed on a six-monthly basis.
- 5.5.2** While a number of reviews have been undertaken of the Assurance Framework 2015, the document has not been fully updated since 2015. The Glasgow City Region City Deal Programme Management Office (PMO) has now completed a full refresh, resulting in the creation of the Assurance, Governance and Programme Management Framework 2019 (v2.4) along with a suite of Key Supporting Governance Documents which allow for the operationalisation of the principles with the Framework. These documents can be made available upon request.
- 5.5.3** The PMO has been liaising closely with both the UK and Scottish Governments on the refresh of the Assurance Framework and the development of the Key Supporting Governance Documents. The governments have advised that their formal comments will be provided on this version (2.4) following the approval by Cabinet on 8 October 2019
- 5.5.4** Where, following feedback from government on this version (2.4), further changes are required, the Director of Regional Economic Growth will bring a further version (2.5) to Cabinet advising of, and seeking approval for, any required final changes.

5.5.5 It is possible that the final version, as agreed with UK and Scottish government officers, may also be required to be submitted to relevant Scottish and UK government ministers for their formal endorsement, as per the process for agreeing the Assurance Framework 2015. Clarification is awaited from government officials on their requirements.

5.6 Strathclyde Partnership for Transport (SPT) Strathclyde Bus Improvement Programme (SBIP)

5.6.1 A joint proposal for the SBIP Pilot and its Integration with East Dunbartonshire Council's (EDC) Place and Growth Programme was presented and approved at Cabinet on 8 October 2019. With EDC leading and involving SPT together with Glasgow City Council (GCC).

5.6.2 There was an initial allocation of £30m funding as part of the original City Deal in 2013/14 for an SBIP to transform bus services across the City region being led by SPT, in particular the early projects identified included five key bus corridors into Glasgow City. SPT at the time were seeking £295m to achieve improvements on their defined strategic bus corridors.

5.6.3 A new Strategic Business case from EDC will seek to identify a number of shared priorities and benefits that could be delivered by aligning the proposed Place and Growth Programme and the SBIP, as well as strengthening links to the ongoing City Deal supported development in the north of the city around the Sighthill area. The alignment is most evident through the proposed investment in the infrastructure of the A803 route corridor to J15 on the M8, and the Bishopbriggs Relief Road and its links to the A80. The discussions have indicated that investing in bus connectivity on this route would develop links to other key sites along the road of this bus route corridor, including to:

- i) the ongoing City Deal supported regeneration works at Sighthill;
- ii) further and higher education opportunities at Collegelands, Glasgow Kelvin College;
- iii) primary health services at Stobhill Hospital and the Royal Infirmary, and
- iv) a range of employment and retail opportunities along the A803 and Bishopbriggs Relief Road.

5.6.4 The Glasgow City Region Cabinet on 8 October 2019 agreed the following:

- i) note that work which has already been undertaken to develop collaborative partnership working between EDC, SPT and GCC;
- ii) note the opportunity to leverage an additional funding contribution from EDC into the overall City Deal Programme;

- iii) approve the proposal to refocus the Strathclyde Bus Improvement Programme (SBIP) towards a SBIP Pilot integrated with East Dunbartonshire Council's Place and Growth Programme, with this integrated project retaining the status afforded by the Assurance Framework 2019 to projects on the 'Initial Project List', while noting that, provided there is successful delivery of the SBIP pilot as part of the EDC Place and Growth project, SPT and Local Authorities will incorporate further corridor improvements into future capital investment programmes, including city deal projects;
- iv) approve the request to transfer Project Sponsor status to EDC;
- v) approve the request for EDC to progress with the development of the Integrated SBIP Pilot/Place and Growth Programme Strategic Business Case (SBC), and
- vi) note EDC's intention to submit a SBC to Cabinet in December 2019 for approval.

5.7 Glasgow City Region- West Partnership (Education)

- 5.7.1** The West Partnership- Regional Improvement Plan (RIP) 2019-22 was endorsed by the City Region Education Committee on 27 August 2019 and it was agreed that this would be reported to the Cabinet and that each Local Authority on the RIP would maintain local democratic oversight of the plan.

5.8 Finance Group Update

- 5.8.1** At the Financial Group meeting on 10 September 2019 it was noted that there could be a delay in planned business cases from being presented to Cabinet due to limited availability of "internal" procurement and Legal assistance, however if required, consideration will be given to sourcing from elsewhere.
- 5.8.2** Within the general funding, the actual spend for 2019/20 to Q1 was £10.9m compared with a profiled spend of £11.5m, representing 15% of the expected spend of £72.9m for 2019/20. Cumulative spend to date as at Q1 2019/20 was £167.7m. The initial 5-year projected spend was £281.8m and the latest 5-Year projected spend was £229.7m representing a reduction of £52.1m. Funding approved to date totalled £303.2m. The cumulative grant allocation to the end of 2019/20 was £150m.
- 5.8.3** An update briefing on City Region Community Benefits was circulated to members on 5 September 2019.

5.9 Labour Market Working Group (LMG) Update

- 5.9.1** A West Dunbartonshire's proposal has been developed jointly between Working4U and Work Connect as part of a follow on programme to Working

Matters and will be delivered with the support of local services. The proposal was agreed in September 2019 and the support measures are in place. It is anticipated that the project will support 45 people through the personal development activity and as a result will increase confidence and motivation, build resilience and develop attributes for work.

6. West Dunbartonshire Council City Deal Project

- 6.1** ExxonMobil representatives met with Council officers on 8 October 2019 to discuss the progress they are making with their procurement of and implementation of their remediation strategy.
- 6.2** The Council has met with all third party landowners and a number of limited discussions are progressing in parallel with the Council's negotiations with ExxonMobil.
- 6.3** The refreshed Outline Business Case (OBC) for the Exxon site project was approved at Council on 28 November 2018, approved at the Chief Executives' group on 31 January 2019, and also approved at Cabinet on 12 February 2019. With ExxonMobil site remediation works being delayed and subsequent delays in an agreement being reached on a potential site transfer there will likely be an impact on the submission date of the Final Business Case (FBC). Officers are looking at a refresh of the programme of works. This will be reported back to Council.
- 6.4** Councils Officers have entered into a confidentiality agreement with ExxonMobil and are not able to release any commercially sensitive information to members at this stage. When Council is being asked to make decisions regarding the transfer of the ExxonMobil site into Council ownership all necessary information will be provided to ensure Members can make an informed decision.

7. People Implications

- 7.1** There are a number of senior officers involved in the City Region initiative across services of the Council and as part of the project board.

8. Financial Implications

- 8.1** The Council approved refreshed Outline Business Case for the Exxon project has an overall Council budget approval of £34.05m, with a secured City Deal contribution at 86% of original Cabinet budget of £27.897m equating to £23.991m. The projected capital cost to the Council, should no further funding be made available and secured from City Deal would be £10.059m.
- 8.2** The expenditure for the City Deal project for 2018/19 was £0.304m. As at 30 September 2019 the total project Capital expenditure was £1.477m. Spend continues to be minimised to avoid irrecoverable costs should the project not proceed in its current form.
- 8.3** The OBC approved budget expenditure for the City Deal Exxon project remains at £2.948m. This will provide sufficient funding to take us to the Final Business Case.

9. Risk Analysis

- 9.1** There are a number of project risks associated with the development at the ExxonMobil project site and these are contained within the risk register of the refreshed OBC.

10. Equalities Impact Assessment

- 10.1** An Equalities Impact Assessment is not necessary for this report.

11. Consultation

- 11.1** Consultation with all key stakeholders is progressing as we continue to work as part of the Glasgow City Region.
- 11.2** Regular communication is produced regarding progress with the Glasgow City Region on the website <http://www.glasgowcityregion.co.uk/>.

12. Strategic Assessment

- 12.1** At its meeting on 25 October 2017, the Council agreed that one of its main strategic priorities for 2017 - 2022 is:
- A Strong local economy and improved employment opportunities
- 12.2** The proposals within this report are specifically designed to deliver on this priority.

Jim McAloon
Strategic Lead, Regeneration
Date: 11 October 2019

Person to Contact:	Michael McGuinness- Manager, Economic Development. Telephone: 01389 737415 e-mail: michael.mcguinness@west-dunbarton.gov.uk
Appendix:	Nil
Background Reports:	Programme Status Report SQW Report- Evaluation Gateway 1(Presentation) Annual Performance Report 2018/19 Programme Business Case 2019- Cabinet Report and Executive Summary W Drive: Members Background Paper\2019\30 October 2019\City Region Background Reports

Background Papers: Glasgow City Region City Deal - Council updates on the following dates: 28 August 2019, 29 May 2019, 14 February 2019, 28 November 2018, 29 August 2018, 27 June 2018, 31 May 2018, 5 March 2018, 20 December 2017, 25 October 2017, 30 August 2017, 28 June 2017, 26 April 2017, 22 February 2017, 21 December 2016, 26 October 2016, 31 August 2016, 29 June 2016, 27 April 2016, 24 February 2016, 16 December 2015, 25 August 2015.

Wards Affected: All

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Council – 30 October 2019

Subject: Audited Annual Accounts 2018/2019 – Annual Audit Report to Members and Controller of Audit

1. Purpose

1.1 The purpose of this report is to:

- (a) advise Council of Audit Scotland's findings in relation to the audit of the Council;
- (b) advise Council of Audit Scotland's findings in relation to the audit of those charities;
- (c) submit to Council the audited Financial Statements of the Council for 2018/2019 and to highlight matters of interest; and
- (d) submit to Council the audited 2018/19 Financial Statements of the Charities administered by the Council and to highlight matters of interest.

2. Recommendations

2.1 Council is invited to:

- (a) note the contents of this report;
- (b) note the findings of the audits as detailed in Audit Scotland's reports dated 25 September 2019; and
- (c) note the audited Annual Accounts 2018/19 of both the Council and the Council-administered Charities and note that these were approved by the Audit Committee on 25 September 2019.

3. Background

- 3.1** The Council's draft unaudited Annual Accounts (including the Group Accounts) for 2018/19 were reported to Council on 26 June 2019 and passed to the Accounts Commission before the statutory deadline on 30 June 2019.
- 3.2** The report submitted to Council identified a draft position of an unearmarked General Service reserve of £4.384m and provided Members with information as to variances for the year. The draft unearmarked position for the Housing Revenue Account reserve was £0.850m.
- 3.3** The Charitable Trusts' draft, unaudited accounts for 2018/19 were also reported to Council on 26 June 2019.

- 3.4** As the external auditor of the Council, it is Audit Scotland's responsibility to undertake their audit work in accordance International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
- 3.5** The Audit report and the Financial statements for both the Council and the Council-administered Charitable Trusts were reported to Audit Committee on 25 September 2019, for consideration/ approval as required.

4. Main Issues

- 4.1** The audit of the Annual Accounts for both the Council and the Council-administered Charities have now been completed. The Council has received Annual Audit Report to Members and Controller of Audit which is appended to this report for consideration (Appendices 1 and 2). The audited Annual Accounts for the Council and the Council-administered Charitable Trusts are appended to this report for consideration and approval (Appendices 3 and 4). Thereafter, the Annual Accounts and the Annual Audit Report to Members and Controller of Audit will be reported to Council on 30 October 2019.

West Dunbartonshire Council and Charities Audit Report

- 4.2** Audit Scotland, as the Council's external auditors, has issued a report dated 25 September 2019 which details the main issues arising from the audit of the Council and its Annual Accounts. The full report is appended to this report (Appendix 1).
- 4.3** The report identifies 6 recommendations for improvement for the Council and a further 2 in relation to the Trust Funds, together with management responses and an update on the 11 actions identified from the 2017/18 Audit Report (1 of which is noted as ongoing).
- 4.4** The Audit Opinion is detailed on page 8 of the report which advises that Audit Scotland expect to issue an unqualified opinion on the Council's Annual Accounts. Page 15 reports that Audit Scotland expect to issue an unqualified opinion on the Charities Annual Accounts.
- 4.5** The report also appends (see Appendix 2) the proposed independent auditor's report and the draft letters of representation (ISA 580) which the Strategic Lead - Resources is required to sign and submit to Audit Scotland.

The Council's Accounts

- 4.6** A number of presentational and monetary adjustments were identified within the draft Annual Accounts during the course of the audit, the effect of which results in a net increase in the Council's General Fund reserve balance of £0.439 and no change on the reserves position in the Housing Revenue Account (HRA). Further detail on the updated General Fund position is noted below:

	Free £000	Earmarked £000	Total £000
Total General Services Reserve - draft accounts	4,384	6,175	10,559
Revision to accrued expenditure	444	0	444
Revision to VER/VS accrued spend	0	(5)	(5)
Increase in reserve	444	(5)	439
Total General Services Reserve - audited accounts	4,828	6,170	10,998

4.7 I am pleased to report that a clean audit opinion has been given in relation to these Accounts.

4.8 The management commentary on pages 2 to 16 of the Annual Accounts summarises the major matters contained within the document and provides an explanation of the Council's financial position as at 31 March 2019. In particular:

4.8.1 In relation to the General Fund:

- The accounts show a General Fund balance of £10.998m as at 31 March 2019. Of this balance, £6.170m is earmarked for ring-fenced purposes, leaving an unearmarked balance of £4.828m;
- The level of unearmarked balance of £4.828m compares with that of £4.304m at 31 March 2018 and confirms that the unearmarked reserve position has increased by £0.524m during the year;
- The unearmarked balance of £4.828m compares to the targeted prudential level of reserve of £4.192m which is considered necessary to safeguard assets and to protect services against financial risk; and
- In addition to the above reserves a sum of £0.233m has been set aside as a provision for future equal pay claims and £0.118m set aside for the provision of Voluntary Severance/ Voluntary Early Retirals.

4.8.2 In relation to the Housing Revenue Account, the accounts show an HRA balance of £1.606m as at 31 March 2019. Of this balance £0.756m is earmarked, leaving a free balance of £0.850m which is in line with the recommended prudential level of HRA reserve of £0.850m.

4.8.3 The Council maintains statutory accounts for two trading operations under the provisions of the Local Government Scotland Act 2003: Housing Maintenance and Grounds Maintenance/Street Cleaning. These operations returned a collective surplus in the year of £3.234m and both operations have achieved a break even performance over the last three years in line with their statutory requirements.

4.9 On pages 18 to 26 of the accounts is the Annual Governance Statement. This Statement provides assurance that the Council has in place a sound system of governance control. The Governance Statement identifies a number of areas where officers have identified improvements can be made.

Charitable Trusts' Accounts

4.10 I am pleased to report that a clean audit opinion has been given in relation to these Accounts.

4.11 Page 7 of the Accounts details the Statement of Balances and highlights a decrease in the balances held from £0.315m to £0.283m as at 31 March 2019.

5. Option Appraisal

5.1 No option appraisal was required for this report.

6. People Implications

6.1 There are no people implications.

7. Financial and Procurement Implications

7.1 Other than as described above there are no financial or procurement implications.

8. Risk Analysis

8.1 No risk analysis was required.

9. Equalities Impact Assessment (EIA)

9.1 No equalities impact was required in relation to the preparation of this report.

10. Consultation

10.1 The views of relevant officers were requested on this report and the appendices and view were taken on board.

11. Strategic Assessment

11.1 The report is in relation to a statutory function. As such, it does not directly affect any of the strategic priorities.

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Stephen West
Strategic Lead - Resources
Date: 26 September 2019

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Appendices:

1. Audit Scotland's Annual Audit Report to West Dunbartonshire Council and Controller of Audit (incorporating Charitable Trusts);
2. West Dunbartonshire Council – Annual Audit Report – covering letter (including ISA 580) (incorporating Charitable Trusts);
3. Audited Annual Accounts 2018/19 – West Dunbartonshire Council; and
4. Audited Annual Accounts 2018/19 – Charitable Trust Funds.

Background Papers:

1. Report to Council of 26 June 2019: Draft Annual Accounts 2018/2019
2. Report to Audit Committee of 25 September 2019: Audited Annual Accounts 2018/2019 – Annual Audit Report to Members and Controller of Audit

Wards Affected: All

West Dunbartonshire Council

2018/19 Annual Audit Report



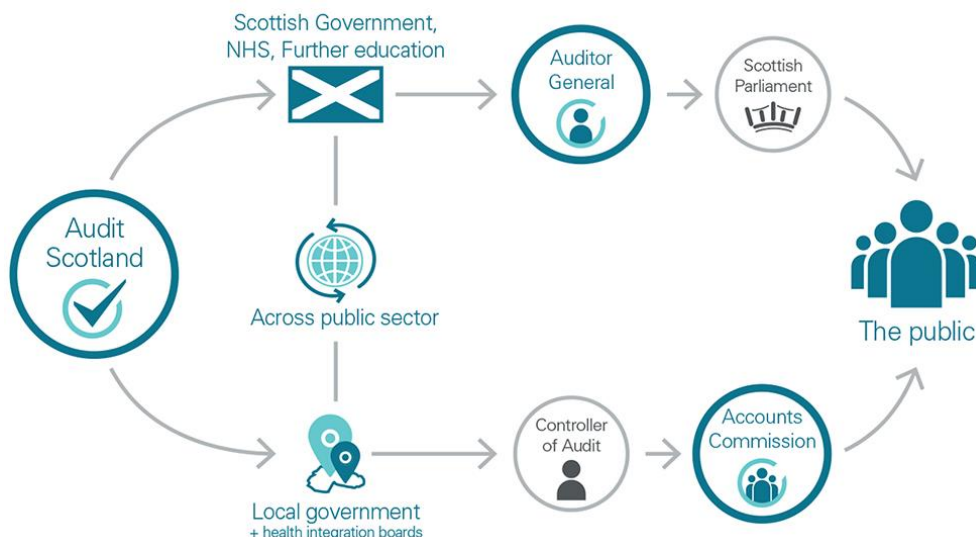
 **AUDIT SCOTLAND**

Prepared for the Members of West Dunbartonshire Council and the Controller of Audit
25 September 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2018/19 annual accounts

- 1 The financial statements of West Dunbartonshire Council and its group give a true and fair view of its financial position for the year ended 31 March 2019.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 3 The statement of accounts for the five section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2019 and its statement of balances at that date.

Financial management

- 4 The council has a good track record in consistently delivering services within budget. In 2018/19 a surplus of £0.231 million was reported against the revised budget. The surplus for the year increased to £0.675 million after post-audit adjustments.
- 5 The council's budget setting process is operating effectively and there was clear evidence of member and stakeholder engagement in the preparation and approval of the 2018/19 budget.
- 6 The council has effective budgetary monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.
- 7 A trend of slippage in the capital programme was reported in the 2018 Best Value Assurance Report. Capital slippage remains high in 2018/19, £34.795 million (41.5%) against the general services capital programme and £13.215 million (39.6%) against the HRA capital programme. Improvement actions to reduce the level of slippage are ongoing.
- 8 Management are taking action to address weaknesses in procurement practices and improve the level of compliance with the council's financial regulations.

Financial sustainability

- 9 The council has effective arrangements in place for financial planning that include a long-term financial plan.
- 10 The Council approved a budget for 2019/20 that includes the one-off use of reserves balances. A cumulative funding gap of £16.930 million is projected for 2020/21 and 2021/22.
- 11 The council has a low level of reserves as a proportion of net revenue compared to other Scottish local authorities.

Governance and transparency

- 12 Overall effective governance arrangements are in place in the council but improvements in Internal Audit practices and the governance of procurement are required and are being progressed.
- 13 The council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council.
- 14 The council is open and transparent in the way it conducts its business and the public can attend meetings of the Council and its standing committees.

Best Value

- 15 The [Best Value Assurance Report \(June 2018\)](#) (BVAR) reported that the council demonstrates a focus on delivering Best Value. The report said that there was evidence of continuous improvement in its services. There is evidence that the council's performance improvement against its strategic indicators has continued in 2018/19.
- 16 Good progress has been made against all five recommendations made in the 2018 Best Value Assurance Report.
- 17 The council has satisfactory arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.
- 18 The council and other stakeholders have prepared a Community Empowerment Strategy and Action Plan which will be published in November 2019.

Introduction

1. This report summarises the findings from our 2018/19 audit of West Dunbartonshire Council (the council).

2. We aim to add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvement that are accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides, and
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Scope of our audit

3. The scope of our audit was set out in our [Annual Audit Plan](#) presented to the meeting of the audit committee on 20 March 2019. This report comprises the findings from:

- our audit of the council and its group's annual accounts, and the statement of accounts of the section 106 charities administered by the council, including the issue of independent auditor's reports setting out our opinions
- a review of the council's key financial systems
- an [Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services \(April 2019\)](#)
- audit work covering the council's arrangements for securing best value relating to fairness and equality and the follow up of our recommendations from our [Best Value Assurance Report \(June 2018\)](#)
- our consideration of the wider audit dimensions of public sector audit, [exhibit 1](#), as set out in the [Code of Audit Practice 2016](#).

Ethical considerations

4. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2018/19 audit fee of £264,810 (which includes the audit of the charitable trust funds) as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

Responsibilities and reporting

5. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability, and best value arrangements.

8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control. An agreed action plan is included at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.

10. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website: www.audit-scotland.gov.uk

Acknowledgement

11. We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

The financial statements of West Dunbartonshire Council and its group give a true and fair view of its financial position for the year ended 31 March 2019.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The statement of accounts for the five section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2019 and its statement of balances at that date.

Audit opinions on the annual accounts

12. The annual accounts for the council and its group for the year ended 31 March 2019 were approved by the Council's Audit Committee on 25 September 2019. We reported, within our independent auditor's report that the:

- financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

13. We have nothing to report in respect of misstatements in the information accompanying the financial statements, the adequacy of accounting records, or the information and explanations we received during the audit.

The annual accounts are the principal means for the council accounting for the stewardship of resources and performance in the use of resources to its external stakeholders.

Submission of the council and its group annual accounts for audit

14. We received the unaudited annual accounts on 26 June 2019, in line with the agreed timetable set out in our 2018/19 Annual Audit Plan.

15. The working papers provided with the unaudited accounts were generally of a good standard. However, some papers were provided late which forced us to reorganise our planned audit work. Finance staff provided good support to our team which helped to ensure the final accounts audit process ran smoothly and enabled us to complete the audit in accordance with the agreed timetable.

16. The working papers not available at the start of the final accounts audit included those for provisions, common good, and the group statements. Management have advised that the arrangements for the provision of working papers will be strengthened going forward to ensure that all requested papers are provided with the unaudited accounts from 2019/20.

Risk of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

18. We have reported one issue from our work on the risks of material misstatements highlighted in our 2018/19 Annual Audit Plan. This relates to financial sustainability and is included in the action plan at [Appendix 1](#).

Materiality

19. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit and was based on the gross expenditure reported in the audited 2017/18 Annual Accounts. These levels were reported in our Annual Audit Plan presented to the audit committee on 20 March 2019.

21. On receipt of the unaudited 2018/19 Annual Accounts we recalculated our materiality levels based on the actual gross expenditure for the year ended 31 March 2019. Our materiality levels are summarised in [exhibit 2](#).

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality: This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2019.	£4.617 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of overall materiality.	£2.308 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality.	£0.050 million

Source: Audit Scotland

Significant findings from the audit in accordance with ISA 260

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.


23. The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
1. Revaluation of non-current assets <p>Ahead of the audit commencing, the finance staff advised that the council had appointed Gerald Eve as the external valuers for the financial year 2018/19. It was advised that due to the change in appointment there was a delay in the provision of the valuations as at 31 March 2019 required as part of the rolling revaluation programme. In addition, officers identified issues with some of the valuations provided by the valuer that did not reflect the requirements of the 2018/19 Code or the council's accounting policies. As a result of these issues, the council took a cut-off point in May 2019 to compile the draft accounts with valuations received as at that date.</p> <p>During the audit, two revised reports were received detailing adjustments required. The final report and adjustments were received for auditing on 3 September 2019.</p>	<p>A post-audit adjustment was processed to reflect the final valuation report received. The impact of this adjustment was to increase the Net Assets figure in the balance sheet by £0.551 million and to reduce the Total Comprehensive Expenditure figure in the comprehensive income and expenditure statement by the same amount.</p> <p>The council should work with the external valuers to ensure these issues are not repeated in 2019/20.</p> <div> Recommendation 1 (refer appendix 1, action plan)</div>
2. Property, Plant and Equipment addition <p>During our non-current assets testing we identified capital expenditure of £0.515 million for work completed prior to 31 March 2018, and invoiced in April 2018, had not been capitalised as an addition in the 2017/18 accounts. This expenditure was instead capitalised during 2018/19 and is reflected in the Property, Plant and Equipment balance at 31 March 2019 in the annual accounts.</p>	<p>As the value of the addition did not exceed our materiality levels no prior year adjustment has been made for this. Our additions testing did not identify any similar issues for 2018/19.</p> <p>As part of the close-down procedures for 2019/20 Management will review the capital accruals listing to ensure that accruals have been processed for all significant work undertaken up to 31 March that has not been billed for at the year-end.</p>
3. Group accounting errors <p>During the audit we found 15 disclosure errors, one omission and multiple financial consolidation errors in the group accounts. This resulted in additional audit work reviewing three sets of revised group account statements and working papers.</p> <p>The financial consolidation errors related to inter-group transactions between component group bodies not being correctly eliminated.</p>	<p>All errors identified have been corrected in the group account statements in the audited accounts.</p> <p>Procedures should be put in place to ensure that the unaudited group accounts statements are free from misstatement and reflect the component group bodies accounts.</p> <div> Recommendation 2 (refer appendix 1, action plan)</div>
4. Capitalisation of software licenses <p>As part of our expenditure testing, we identified that the council had taken advantage of a bulk discount and purchased eight separate annual software licenses (covering the period 2018/19-2025/26) for £0.234 million during August 2018. The full cost of the licenses was paid in 2018/19, with the £0.200</p>	<p>Management agreed that the licenses relating to future years should have been capitalised. An adjustment of £0.200 million has been processed to capitalise this expenditure as an intangible asset addition with an asset life of seven years. This change increased the intangible assets balance in the balance sheet by £0.200 million and reduced the short-term debtors balance by the same</p>

Issue	Resolution
million for the seven annual licenses covering the period 2019/20 to 2025/26 treated as prepayments.	amount. As a result, this had a nil impact on the Net Assets figure in the balance sheet.
In accordance with IAS 36, multi-year licenses should be capitalised as intangible assets and amortised over the period of use as they give the council access to future economic benefits.	<p>Management reviewed other significant revenue expenditure and did not identify any other similar issues.</p> <p>As part of the 2019/20 year-end closedown procedures, Management should review all significant revenue expenditure during the year to identify any expenditure that should be capitalised.</p>

 Recommendation 3
(refer [appendix 1](#), action plan)

5. Accounting treatment of exam entry fees

Our audit identified an inconsistency in the accounting treatment of the exam entry fees payable to the Scottish Qualification Authority (SQA) for the summer 2019 diet of exams, with some fees treated as 2018/19 expenditure and some fees treated as 2019/20 expenditure. Therefore, we asked the council to agree a consistent accounting treatment going forward.

Management determined that as these exam entry fees related to examinations sat by students in May and June 2019 the most appropriate accounting treatment would be to classify these payments as 2019/20 expenditure. We accepted this treatment and a post-audit adjustment was processed which reduced the Net Cost of Service in the comprehensive income and expenditure statement by £0.444 million and increased the Net Assets in the balance sheet by the same amount.

6. Exit package

During our testing of exit packages we identified one case where the costs had been treated as 2018/19 expenditure but the employee had not left until after the 31 March 2019.

Management agreed that this should not have been treated as 2018/19 expenditure. However, as the exit package was approved prior to 31 March 2019 there was a constructive obligation on the council to make this payment. Therefore, a provision has been created for this amount and there is a nil impact on the Total Comprehensive Expenditure figure reported in the comprehensive income and expenditure statement.

7. Revised pension liability

Two distinct legal rulings, affecting Local Government Pension Schemes, have impacted upon the pension liability at 31 March 2019 disclosed in the council's accounts.

The first of these was the Guaranteed Minimum Pension case which related to sex discrimination on guaranteed minimum pension rights.

The other ruling was the McCloud case challenging age discrimination on pension scheme transitional protection.

Further details on both of these cases is included in the 'Impact of legal rulings on pension liability' section at paragraphs [27-33](#) below.

As these rulings had a material impact on the pension liability at 31 March 2019, management obtained a revised actuarial report and made an adjustment to the audited accounts to reflect the revised pension liability figure. The impact of these rulings resulted in the pension liability figure in the balance sheet, and the deficit on provision of services figure in the comprehensive income and expenditure statement, both increasing by £12.455 million.

Source: Audit Scotland

Movement in pension liability over time

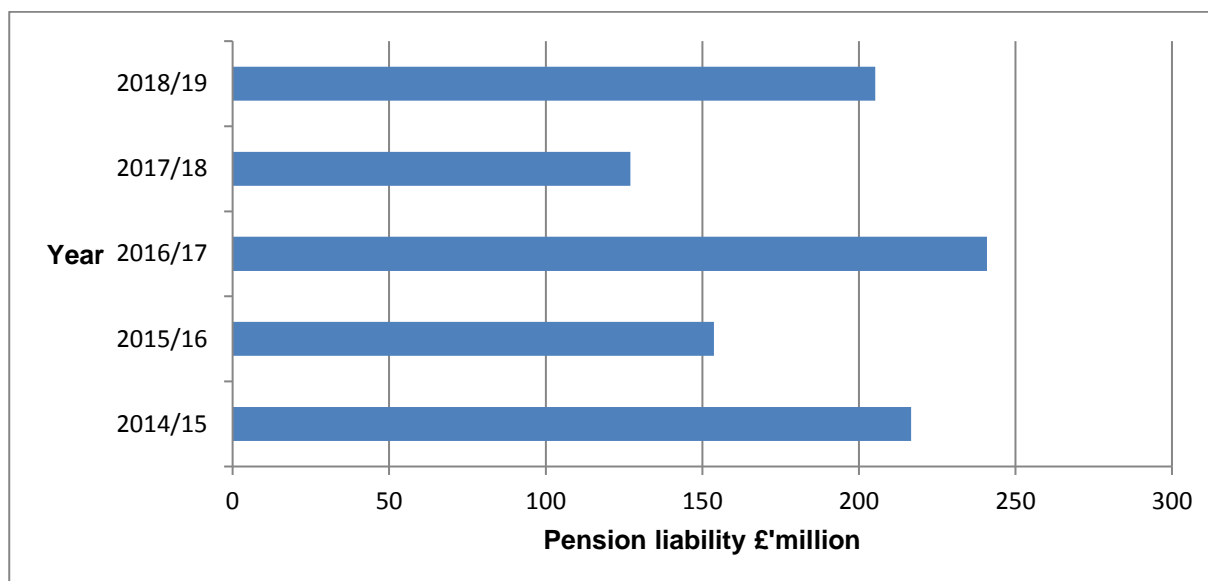
24. As required by international accounting standards the council has recognised its pension liability on the balance sheet.

25. West Dunbartonshire Council is a member of Strathclyde Pension Fund, one of the largest pension funds in the UK. The valuation of pension fund assets and liabilities is assessed by professional actuaries (Hymans Robertson) each year and is dependent on a range of external variables, including projected rates of return on assets, interest rates and mortality estimates.

26. The pension liability represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this cost. [Exhibit 4](#) sets out the movement in the council's pension liability over the last five years. Historically there has been considerable volatility year on year of the valuation of liabilities across the public sector. Small changes in actuarial assumptions can have a significant impact on the calculation of closing liabilities. Part of this movement relates to the impact of the legal rulings discussed at paragraphs [27-33](#) below but the majority is attributable to changes in the annual valuation.

Exhibit 4

Movement in pension fund liability 2014/15 – 2018/19



Source: West Dunbartonshire audited Annual Accounts 2014/15 to 2018/19

Impact of legal rulings on pension liability

27. Two distinct legal rulings, affecting Local Government Pension Schemes, have impacted upon the pension liability at 31 March 2019 disclosed in the council's accounts ([Point 7 - Exhibit 3](#)).

Guaranteed Minimum Pension (GMP) case relating to sex discrimination on guaranteed minimum pension rights

28. Contracting out of the state earnings related pension scheme (SERPS) became possible in April 1978. This provided for reduced employer and employee National Insurance contributions in return for members receiving a GMP from an occupational pension scheme. GMPs are discriminatory in various ways. For example, they are payable at 60 for female members and 65 for male members and they are built up at different rates, reflecting the earlier payment age for women.

29. In October 2018 the High Court (England) held that pension schemes must equalise the discriminatory effects of GMPs. The Court's judgement will be applicable across all affected public sector defined benefit pension schemes. An interim method of calculating costs in respect of persons retiring from April 2016 and April 2021 has been agreed. However, the issue is a long standing one and the many complexities of dealing with it have meant that there is, as yet, no agreed solution to calculating the liabilities of pension schemes.

30. The assessed impact of this ruling on the pension liability of the council was not reflected in the *IAS19 – Employee Benefits* report provided by the actuary, Hymans Robertson, which was used in preparation of the unaudited accounts. Management therefore obtained a revised IAS19 actuarial report reflecting the impact of this ruling and made the required adjustment in the audited accounts. This resulted in the pension liability figure in the balance sheet, and the deficit on provision of services figure in the comprehensive income and expenditure statement, both increasing by £2.090 million.

McCloud case challenging age discrimination on pension scheme transitional protection

31. In March 2011 the Independent Public Services Pension Commission published a review of Public Sector Pensions, the Hutton Report. It recommended wholesale public sector pension reform in order to place public sector pensions on a more sustainable footing. The Government largely accepted the recommendations of the report and enacted pension reforms through the Public Service Pensions Act 2013. The main changes introduced were that:

- pensions are now based on career average earnings rather than final salary
- retirement ages have been aligned with state pension eligibility age, and
- rates of the annual accrual of pension benefits have changed.

32. The reforms included transitional protection for scheme members approaching retirement age. In December 2018, the Court of Appeal ruled that the transitional protection provided to some members of the judiciary and fire fighters schemes amounted to unlawful age discrimination. On 28 June this judgement was upheld by the Supreme Court. Although this (McCloud) case related to specific schemes the principle also applies to Local Government Pension Schemes which have made similar changes.

33. Due to the timing of the Supreme Court ruling, the assessed impact of this case on the pension liability of the council was not reflected in the *IAS19 – Employee Benefits* report provided by the actuary, Hymans Robertson, which was used in preparation of the unaudited accounts. Management therefore obtained a revised IAS19 actuarial report reflecting the impact of this ruling and made the required adjustment in the audited accounts. This resulted in the pension liability figure in the balance sheet, and the deficit on provision of services figure in the comprehensive income and expenditure statement, both increasing by £10.365 million.

How we evaluate misstatements

34. It is our responsibility to request that all misstatements above the reporting threshold are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality.

35. Five adjustments were made as a result of issues that arose during the course of the 2018/19 financial statements audit ([Exhibit 3](#)). As a result of these changes the Total Comprehensive Expenditure figure in the comprehensive income and expenditure statement increased by £11.465 million and the Net Assets figure in the council's balance sheet decreased by the same amount.

36. As the gross value of post-audit adjustments exceeded our overall materiality level of £4.617 million further audit procedures were performed to obtain the necessary assurance that the errors identified were isolated in nature and not pervasive to either the account area or the financial statements.

Qualitative aspects of the audit

37. We did not identify any significant issues with the qualitative aspects of the audit. However, a number of presentational and disclosure changes were requested to improve the accounts and management commentary, including the Annual Governance Statement. Officers were receptive to these suggestions and made the requested changes in the audited annual accounts.

Transparent reporting of financial performance

38. The management commentary that accompanies the financial statements should explain in simple terms how the council has performed against its budget and how this reconciles to the position reported in the financial statements. The management commentary in the 2018/19 Annual Accounts included:

- the final outturn against budget position for General Services and Housing Revenue Account (HRA) for the year and how this reconciles to the movements reported in the financial statements
- the delivery of the annual capital programme and reasons for any areas of significant slippage
- a summary of borrowing activity during the year
- the financial performance of the council's two statutory trading operations, and
- details of the main financial risks and uncertainties facing the council in the future.

39. We have concluded that the management commentary that accompanies the council's 2018/19 financial statements adequately explains the council's financial performance for the year.

Follow up of prior year recommendations

40. The council has made good progress in implementing our prior year audit recommendations with 10 of the 11 recommendations from our 2017/18 Annual Audit Report now complete. For the remaining action that has not yet been fully implemented, a revised response and timescale has been agreed with management and is set out in [Appendix 1](#).

Integration Joint Board

41. 2018/19 is the fourth year that the council has included its share of the financial transactions of West Dunbartonshire Integration Joint Board (the IJB) within its group financial statements. We provided assurances to the external auditor of West Dunbartonshire IJB under International Standard on Auditing 402 (audit considerations relating to an entity using a service organisation) in relation to the income received and expenditure incurred by the council on behalf of the IJB. In addition, we liaised with the auditor of the IJB to obtain assurances on the accuracy and completeness of IJB figures included in the group accounts.

Going concern

42. The financial statements of the council and its group have been prepared on a going concern basis. We are unaware of any material uncertainties that would cast doubt on the ability of the council and its group to continue in operation for at least the next 12 months.

Audit of registered charities administered by the council

43. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity administered by the council, where elected members of Scottish local authorities are the sole trustees, irrespective of the size of the charity.

44. West Dunbartonshire Council administer the Dr A K Glen and West Dunbartonshire Charitable Trusts, a registered charity that incorporates five trust funds. A single statement of accounts is produced each year covering all six trust funds and at 31 March 2019 a cumulative balance of £0.283 million was held in these funds, [exhibit 5](#).

45. The Trust Fund balances are disclosed in a note in West Dunbartonshire's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents balance shown in the council's balance sheet.

Exhibit 5

Movement in funds held by charities administered by West Dunbartonshire Council

Charity	Scottish Charity Number	Opening Balance at 1 April 2018 £000	Closing Balance at 31 March 2019 £000
Dr A K Glen	SC018701	25	24
Alexander Cameron Bequest	SC025070	150	122
UIE Award		24	24
Vale of Leven Trust		6	2
Dunbartonshire Educational Trust Scheme 1962		89	90
McAuley Prize for Mathematics		21	21
Total Net Assets		315	283

Source: Dr A K Glen and West Dunbartonshire Trust Funds audited accounts 2018/19

46. Our duties as auditors of the charities administered by West Dunbartonshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator (OSCR).

47. We have given an unqualified opinion on the financial statements for the charities administered by the council and have nothing to report in respect of other matters.

48. Two wider audit dimension risks relating to the charities administered by West Dunbartonshire Council were identified during the audit planning process. Both of these are issues that have been ongoing for a number of years and have still to be satisfactorily resolved. As a result they are both included in the agreed action plan at [Appendix 1](#).

Objections

49. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations. There were no objections to the accounts.

Whole of Government Accounts

50. In accordance with the WGA guidance, the council submitted a consolidation pack for the whole of government accounts audit on 5 July 2019. We audited the pack and submitted the required assurance statement to the National Audit Office (NAO) by the 27 September 2019 deadline.

Part 2

Financial management



Main judgements

The council has a good track record in consistently delivering services within budget. In 2018/19 a surplus of £0.231 million was reported against the revised budget. The surplus for the year increased to £0.675 million after post-audit adjustments.

The council's budget setting process is operating effectively and there was clear evidence of member and stakeholder engagement in the preparation and approval of the 2018/19 budget.

The council has effective budgetary monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.

A trend of slippage in the capital programme was reported in the 2018 Best Value Assurance Report. Capital slippage remains high in 2018/19, £34.795 million (41.5%) against the general services capital programme and £13.215 million (39.6%) against the HRA capital programme. Improvement actions to reduce the level of slippage are ongoing.

Management are taking action to address weaknesses in procurement practices and improve the level of compliance with the council's financial regulations.

Financial management

51. The Accounts Commission's [*Local government in Scotland: Financial overview 2017/18 \(November 2018\)*](#) report highlighted the continuing pressure on local government finances and the need for councils to make further savings and to find new ways to meet service demand more efficiently and effectively. It also reiterated that meeting these challenges will require councillors and senior management to work together to make difficult decisions, and that it is important that these decisions are taken in a planned and coordinated way and supported by reliable financial projections.

Budget setting process

52. During the 2018/19 annual budget setting process we observed that:

- members were actively involved in medium and long-term planning through updates from officers and engagement in the budget setting process
- officers provided clear information to members to enable them to ensure decisions were soundly based, and
- the savings options presented set out the cost savings and implications of each option.

53. In March 2018, the Council approved a three per cent increase to council tax and a general fund revenue budget of £214.183 million for 2018/19, which was an increase of £1.645 million from the 2017/18 revised budget of £212.538 million. This identified a projected budget surplus for 2018/19 of £0.671 million. The council

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

made in-year budget revisions which resulted in overall revenue budget increasing by £0.340 million to £214.523 million.

Good Practice – Budget consultation

The annual budget setting process was informed by a public consultation exercise on the proposed budget saving options for 2018/19. The consultation process included an online survey, drop-in sessions and focus groups. The online survey generated 2,733 responses (equates to 3% of population of West Dunbartonshire) and 28 individuals participated in the focus groups, although the drop-in sessions were not as well attended. The consultation exercise provided a clear picture of the public's views on the proposed savings (e.g. 90.3% in favour of transferring cash payments to PayPoint and post offices) and the quality of the information gathered directly reflected the clear and specific nature of the savings options presented for consideration.

54. The council's budget setting process is operating effectively and there was clear evidence of member and stakeholder engagement in the preparation and approval of the 2018/19 budget.

Financial performance in 2018/19

55. The council has a good track record in consistently delivering services within budget. In 2018/19 a surplus of £0.231 million was reported against the revised budget. The surplus for the year increased to £0.675 million after post-audit adjustments. The revised surplus reflects underspends on a number of services, partly offset by overspends against other services and lower than anticipated non-grant aided expenditure allocations during the year. In addition, Council agreed, during 2018/19, the use of free reserves of £0.151 million.

56. During the year elected members were provided with regular budget monitoring reports which included the projected year-end outturn position for the council, and each service, and reasons for any significant movements from the previous reporting period or emerging budget pressures. The final budget position reported for 2018/19 was in line with the projected position reported throughout the year.

57. We concluded that overall the council has effective budgetary monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.

Housing revenue account (HRA)

58. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year. The council does not have the power to budget to accumulate HRA reserves.

59. In March 2018, the Council approved a 2% increase in the average weekly rent levels for tenants for 2018/19. The rent level set reflected the income required to fund the revenue budget of £42.508 million, and a contribution towards the capital programme of £31.826 million.

60. Total HRA expenditure for the year totalled £48.169 million, £5.661 million greater than budgeted. The additional expenditure was funded through £6.072 million released from the HRA reserves balance of £7.422 million carried forward at 31 March 2018. This in-year expenditure related to the acceleration of planned regeneration of housing stock work and reflected the council policy that any HRA surpluses carried forward are earmarked for the purpose of regeneration of the housing stock in future years.

61. After the application of the £6.072 million released from the HRA reserves balance the council reported a £0.256 million underspend for the year. Therefore, the HRA reserves balance has decreased by £5.816 million during the year from £7.422 million at 31 March 2018 to £1.606 million at 31 March 2019.

Rent arrears

62. As at 31 March 2019, total rent arrears amounted to £3.519 million (£3.468 million at 31 March 2018) with a bad debt provision of £2.509 million recognised for these amounts. We also noted that 900 (9.2%) of the 9,896 current council tenants' accounts were in arrears by 13 weeks or more and had arrears valued at more than £250 at the end of 2018/19.

63. Uncollected rental income impacts directly on the HRA budget and there is a risk that the continuing roll out of welfare reform and universal credit will further impact upon the collectability of rental income in future years. The council continue to use all available methods to encourage payment, and pursue arrears, and anticipated rent collection levels are considered as part of the annual HRA budget setting process.

Capital programme 2018/19

64. The council has comprehensive asset management plans in place, linked to the council's strategic objectives. The plans set out the resources required to invest in the council's assets including schools, offices and land.

65. We reported in the [*Best Value Assurance Report \(June 2018\)*](#) that there has been a trend of significant levels of capital slippage at the council over a number of years and recommended that the council review its project management processes and consider performing self-assessments to identify areas for improvement. In response to this recommendation the council agreed the four improvement actions set out below to address the level of slippage. These actions have been completed during 2018/19 and the council anticipate these will lead to improvements in the delivery of the capital programme going forward.

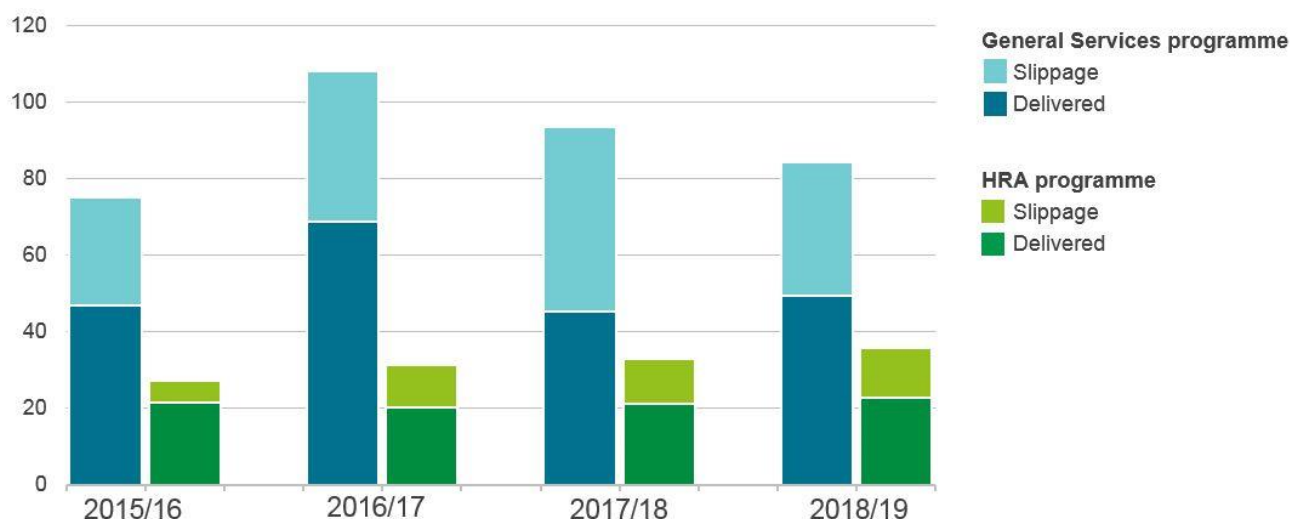
- Carry out a review of current practice against good practice guide and identify improvement actions.
- Analyse drivers of slippage in capital projects (previous 5 years) to identify common issues and improvement actions.
- Update the project management framework and supporting practices / guidance.
- Put in place a review programme for the project management framework.

66. For 2018/19, the council approved a capital programme of £117.183 million split between £83.777 million for planned general services capital projects and £33.406 million for HRA capital works.

67. Total capital expenditure in 2018/19 was £72.197 million of which £49.577 million related to general services and £22.620 million to the HRA capital programme. This represented total in-year slippage of £48.010 million (41.0%) with slippage of £34.795 million (41.5%) against the general services programme and £13.215 million (39.6%) against the HRA programme.

Exhibit 6

Delivery of capital programme 2015/16-2018/19



Source: West Dunbartonshire Council Annual Accounts 2015/16 to 2018/19

68. [Exhibit 6](#) shows the delivery of the councils' general services and HRA capital programmes over the last five years. While the overall reported slippage of 41.0% shows a marginal improvement from 2017/18 when total slippage was 47.7%, the level of slippage is still high and the delivery of the HRA capital programme has significantly deteriorated with slippage increasing to 39.6%, from 19.4% last year. There is little evidence yet that the actions taken by the council are delivering the intended improvements in the delivery of the capital programme. We will continue to monitor progress in this area during 2019/20.

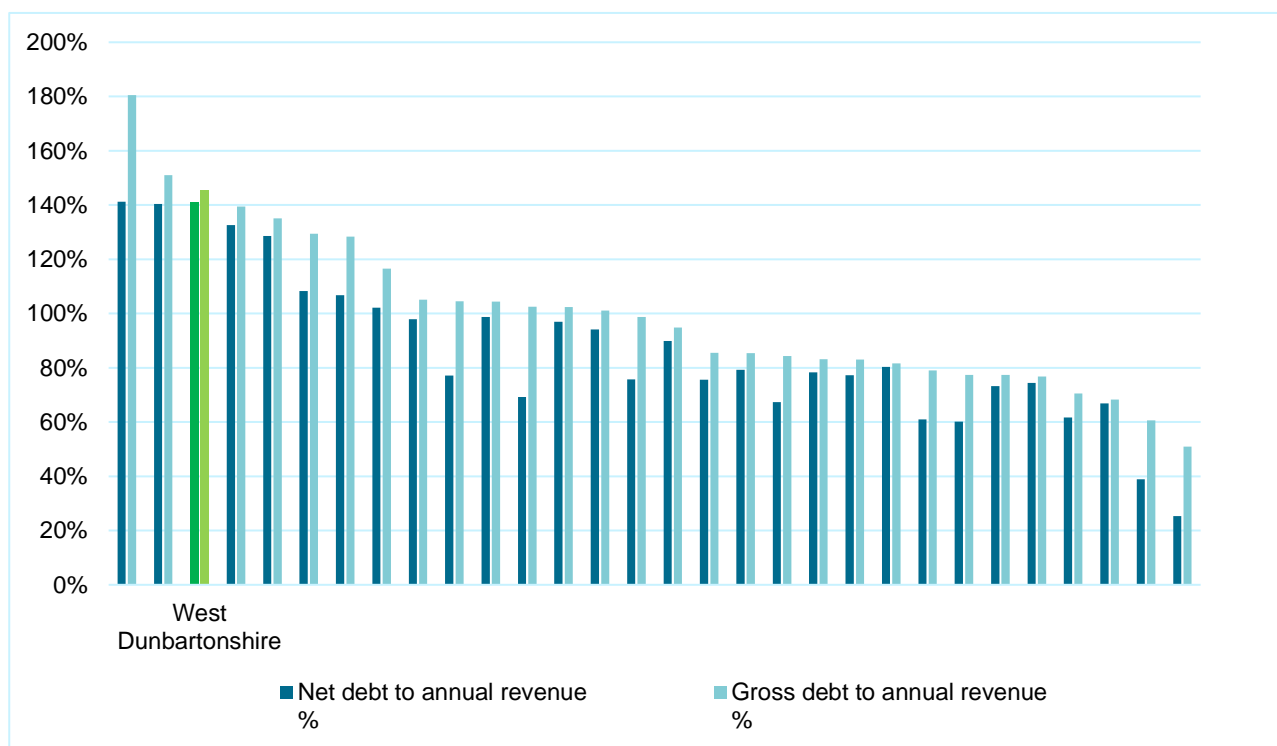
Borrowing in 2018/19

69. The council's outstanding loans at 31 March 2019 totalled £445.455 million, an increase of £15.834 million on the previous year. Loan repayments of £185.258 million were made during 2018/19 and new loans of £201.337 million (£201.006 million of new short-term loans and £0.331 million of new long-term loans) were taken out during the year. The additional borrowing was required to help finance the council's capital programme and short-term borrowing was used to take advantage of the continuing low level of interest rates.

70. Analysing both gross and net external debt as a proportion of annual revenue gives an indication of the relative indebtedness of the council. [Exhibit 7](#) shows both gross and net external debt as at 31 March 2019 as a percentage of annual revenue (including HRA dwelling rents) for all Scottish councils (excluding Shetland Islands and Orkney Islands councils). West Dunbartonshire Council is highlighted near the upper end of the range of debt levels, with gross external debt of £548.556 million and net external debt of £531.311 million at 31 March 2019 (with net external debt being total external debt less short-term investments). It is recognised that the council's borrowing figure includes debt associated with both the HRA and the council's PPP assets which not all Scottish local authorities have.

Exhibit 7

Gross and net external debt of Scottish local authorities as a percentage of annual revenue for 2018/19



Source: Scottish councils' unaudited 2018/19 accounts (excluding Shetland Islands and Orkney Islands councils)

71. The council's debt includes long-term liabilities for Public Private Partnership (PPP) finance contracts that will run up to 2038/39. Over the remaining life of the contracts, the council expects to pay £326.424 million in annual repayment and service costs. These contracts relate to the provision through PPP schemes of 4 new secondary schools and one new primary school and the ongoing costs of these projects are reflected in the council's financial plans. The council receives Scottish Government revenue support funding of £7.3 million annually for PPP schemes which amounts to £153 million over the remaining contract term. This funding is not reflected in the figures at [Exhibit 7](#).

Procurement

72. An Internal Audit report to the Audit Committee in December 2018 identified weaknesses in the council's procurement arrangements within Roads and Greenspace. It highlighted that a number of procurement processes had been completed without following the council's Financial Regulations.

73. As part of our audit responsibilities, we completed an [Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services \(April 2019\)](#). The findings were reported to a special meeting of the Council on 14 May 2019.

74. Our review confirmed the weaknesses already reported by internal audit and identified further breaches of procurement policies and the financial regulations. Members of the Senior Management Team were aware that procurement practices were not being followed for some service contracts over a number of years. We also reported weaknesses in the controls in place to monitor revenue spend consistently against contracts across all services, and for identifying and managing potential conflicts of interest relating to staff involved in procurement activity. We

concluded that the council has therefore not demonstrated Best Value in procuring the services covered by the audit findings.

75. Improvement plans to address the issues raised in both audits have been agreed by management.

76. As part of the approved Internal Audit Plan for 2019/20 a follow-up audit on procurement was undertaken. This found that audit actions have been implemented by management, but a number of further improvements are required within Roads and Greenspace. As a result, the follow-up Internal Audit report produced a number of further recommendations.

77. The council's [*Annual Procurement Report 2019*](#) was reported to the Corporate Services Committee on 22 May 2019. This detailed that 79.7% of regulated spend was compliant with the council's Financial Regulations during 2018/19. It also reported that for all spend above £2,000 (spend above which specific approaches to procurement should be followed per the Financial Regulations) 77.2% was compliant during 2018/19, compared to 72% in 2017/18. A target for 2019/20 has been set at 90%.

78. As part of our 2019/20 audit we will monitor the delivery of the improvement plans and the level of compliance with the council's financial regulations.

Systems of internal control

79. As part of our interim audit work, we reviewed the high-level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements. Our findings, which were reported to the Audit Committee on 12 June 2019, included recommendations to enhance the existing control system.

80. As a consequence of the control weaknesses reported, we carried out additional audit work in some areas to allow us to obtain the necessary assurances for the audit of the 2018/19 financial statements. Specifically, we carried out additional work on the new cash receipting system for NDR and Council Tax to ensure that all reconciliations with the general ledger had been completed by the year end and there were no large unreconciled differences.

81. This testing did not identify any errors or other issues that would impact on the reliability of the information within the financial statements. However, we did find that there were reconciling differences of £0.301 million in the cash receipting system which were not in the ledger, and £0.170 million of reconciling differences in the ledger but not in the cash receipting system. While we received satisfactory explanations and evidence for the significant differences tested, the level of reconciling items at the year-end highlights the extent of the ongoing issues with the posting of payments to the ledger from the new Capita cash receipting system. The council should continue to work with the system provider to address these issues and reduce the number of reconciling items each period.



[Recommendation 4 \(Appendix 1 - Action Plan\)](#)

82. We also followed up on one recommendation from the 2017/18 AAR relating to the period end ledger reconciliation for creditors. We reported last year that there was no formal review of the reconciliations. This is still the case and there is also an associated risk due to reliance being placed on one individual to complete the reconciliation. This presents a risk that the reconciliation could not be completed in their absence.



[Recommendation 5 \(Appendix 1 - Action Plan\)](#)

Dependency on key suppliers

83. The impact of a failure or collapse of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or, disruptions in the continued provision of vital services. This has brought into focus the risk of key supplier failure and the risk of underperformance in suppliers that are experiencing difficult trading conditions. It is important that the council is aware of the risks it faces and takes appropriate mitigating action.

84. Management has advised that the council always assess potential suppliers' financial standing and past performance as part of the procurement process. In addition, as part of a new process rolled out from September 2018, all suppliers of contracts worth over £50,000 are now subject to ongoing financial, performance and failure risk assessment by the council's Corporate Procurement Unit.

85. Any supplier performance issues identified by the Corporate Procurement Unit are escalated to the Performance and Monitoring Review Group and the supplier must attend a supplier management meeting where actions to address the non-performance are agreed.

86. Over and above the ongoing supplier monitoring arrangements the council also considered its key suppliers in the wake of the collapse of Carillion. This identified that, as the council does not outsource any services, the main risks would be presented by the failure of a major social care provider or capital contractor. The council are not aware of any current issues with key suppliers and arrangements are in place to minimise the impact of any such event.

87. Based on our discussions with management, and our understanding of the key suppliers of the council, we are satisfied that appropriate risk management and business continuity arrangements are in place to respond to the failure or underperformance of a key supplier.

Part 3

Financial sustainability



Main judgements

The council has effective arrangements in place for financial planning that include a long-term financial plan.

The Council approved a budget for 2019/20 that includes the one-off use of reserves balances. A cumulative funding gap of £16.930 million is projected for 2020/21 and 2021/22.

The council has a low level of reserves as a proportion of net revenue compared to other Scottish local authorities.

Financial planning for 2019/20

88. The 'General Services Budget Preparation' paper to the March meeting of the Council identified a projected funding gap for 2019/20 of £5.060 million. The Council approved a three per cent increase to council tax and a general fund revenue budget of £219.079 million for 2019/20, which was an increase of £4.556 million from the 2018/19 revised budget of £214.523 million. The approved budget includes savings and the one-off use of reserves balances.

89. Since the budget was approved, additional funding has been provided by the Scottish Government, to cover additional pay and pension costs for teachers, and the revised budget for the year is £222.835 million. Revenue budget monitoring reports for 2019/20 (up to period 4) indicate that the council is projecting a year end underspend of £0.039 million against the revised budget.

European Social Fund payments

90. The Scottish Government is responsible for managing two European Structural and Investment Funds for the period 2014 to 2020. One of the programmes, the European Social Fund (ESF), aims to help people improve their lives by learning new skills and finding better jobs. West Dunbartonshire Council, as a lead partner, make payments as part of this programme and are able reclaim ESF funding, via the Scottish Government, to match its eligible programme expenditure.

91. In February 2019, the European Commission (EC) notified the Scottish Government that the ESF had been placed in 'pre-suspension' as a result of serious deficiencies in the management and control system following issues identified by their auditors.

92. The EC aims to avoid making payments where there is a risk that the 'managing authority', in this case the Scottish Government, has not followed the rules on how funds are spent. EC payments are stopped until it considers such risks have been removed. Pre-suspension means that the EC stop making payments, and the Scottish Government cannot make claims, until the issues identified are resolved.

Financial sustainability looks forward to the medium and longer term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

93. The Scottish Government has until November 2019 to resolve the issues before the pre-suspension can be lifted and payments can be made. Lead partners (made up of 32 councils and other public bodies) are continuing to make payments to beneficiaries from their own budgets during this time. The Scottish Government will not reimburse lead partners until they have confirmation that the pre-suspension will be lifted. The Scottish Government are currently working with lead partners to resolve the issues that led to pre-suspension.

94. West Dunbartonshire Council have applied for ESF funding of £0.302 million in 2019/20, in respect of payments made through the programme during 2018/19. Management have advised that they still anticipate receiving this funding in full during 2019/20 but will continue to monitor developments in this area.

Workforce planning

95. Audit Scotland's [Local government in Scotland – challenges and performance 2019 \(April 2019\)](#) report highlighted the need to plan and manage reductions to council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.

96. We recommended in the [Best Value Assurance Report \(June 2018\)](#) that the council should further develop its workforce plans to include forecasts of workforce numbers, the expected shape of the workforce and costs, over the planning period.

97. During 2018/19 the council undertook a trend analysis exercise to forecast future workforce numbers and inform workforce planning. This allowed it to develop long-term workforce plans at a service level. The plans were taken to the Corporate Services Committee meeting in May 2019.

98. The workforce requirements identified in the updated workforce plans are being actioned with training, learning and development opportunities. The plans will also be reviewed each year as part of the refresh of annual delivery plans.

99. We welcome the improvements made to address the BVAR recommendation and strengthen the existing workforce planning arrangements by including forecasts of workforce numbers, the expected shape of the workforce and costs within workforce plans.

100. The [Best Value Assurance Report \(June 2018\)](#) also highlighted that some staff are finding the pace of change challenging and staff absence remains an issue. It acknowledged that the council was taking positive steps to try and address this and recommended that it should continue to explore opportunities for improvement.

101. The council produced an updated wellbeing policy in May 2019. This was developed through the newly revised employee wellbeing group and is intended to promote and support acceptable attendance at work, and provide guidance for the fair, reasonable and consistent management of sickness absence. Targeted audits on absence related to stress and mental health were also completed during the year and the results of these will be used to inform future action. A number of actions have already been undertaken, with mental health being a key focus.

102. The new employee wellbeing group have also developed wellbeing advocates, who will act as points of contact for employees wishing to better understand what support is available to those employees who want to improve their wellbeing.

103. Attendance management continues to be a standing item at management monthly meetings. Performance against the organisational sickness absence target, and attendance management annual updates, are reported to the Corporate Services Committee. These include comparative figures from the previous year to allow the committee to monitor progress in this area.

104. Despite the council's actions and efforts, there was a deterioration in the absence rates reported for both teaching and non-teaching staff for 2018/19 with 6.24 days and 12.77 days per FTE employee lost respectively.

105. We are encouraged by the range of action taken by the council to support staff and tackle sickness absence levels. The impact of these actions has not yet been reflected in the reported sickness absence figures, but we accept that delivering such improvement will be a longer-term process. We will continue to monitor progress in this area during 2019/20.

Longer-term financial planning

106. Scottish public finances are fundamentally changing. The Scottish Government now has significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.

107. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for public bodies' financial planning.

108. The Accounts Commission's [*Local government in Scotland: Challenges and performance 2019 \(March 2019\)*](#) report emphasised the importance of medium to long-term financial planning given the continuing pressures that councils face. The Accounts Commission recommended that councils should undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands.

109. We reported in the [*Best Value Assurance Report \(June 2018\)*](#) that the council has already developed its financial planning arrangements and has a long-term financial strategy that projects budget gaps for the next ten years. The strategy is revised annually as part of the budget setting process and identifies budget pressures and provides clear links to the council's strategic objectives.

110. The council's long-term financial strategy identifies budget pressures and provides clear links to the council's strategic objectives. Given that financial settlements are only made annually, it is difficult for the council to plan with absolute certainty. To address this, the council has included scenario planning (informed by the MTFS) and a risk assessment of the likely impact of any changes in assumptions. The council's annual revenue estimates supplement the long-term strategy and show the projected movement in budget gaps as a result of changes in strategy.

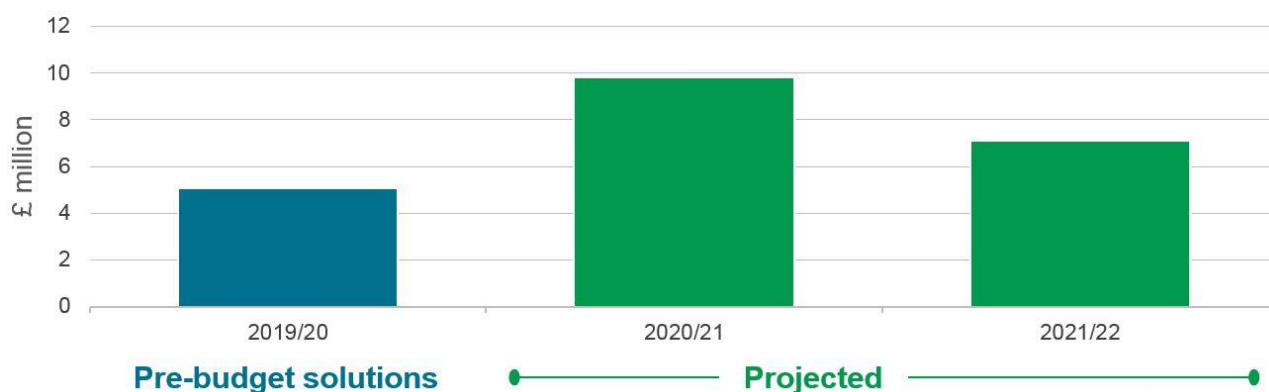
Future funding gaps and savings requirements

111. In common with other public sector bodies, the council faces complex challenges in maintaining a sustainable financial position into the future. Pressures arise from increasing costs, changing demographics and increased demands by the public and legislature.

112. The council's budget projections for 2020/21 and 2021/22 forecast a cumulative funding gap of £16.930 million, [Exhibit 8](#). As detailed at paragraph [88](#), the 2019/20 budget includes savings and the one-off use of reserves balances. Bridging the projected funding gaps for the next two years will be challenging and the council recognises that the use of reserves for this purpose is not sustainable in the longer term.

Exhibit 8

Funding gaps 2019/20 – 2021/22



Source: 'General Services Budget Preparation' paper to Council (March 2019) and West Dunbartonshire Council Long Term Financial Strategy

Capital Strategy 2019/20-2028/29

113. In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA), issued revised Prudential and Treasury Management Codes. These included a requirement from 2019/20 for all local authorities to prepare a Capital Strategy to provide:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed, and
- the implications for future financial sustainability

114. West Dunbartonshire Council's Capital Strategy 2019/20-2028/29 was approved at the March meeting of the Council and includes the required information on long term capital planning; investments and guarantees; treasury management and prudential indicators; and the Section 95 officer statement on the delivery, affordability and risks associated with the strategy. It also includes a high-level action plan of the key actions required to deliver the strategy.

115. It should be noted that improvements in the delivery of the annual capital programmes, discussed at paragraphs [64-68](#), will be essential to the successful delivery of the new Capital Strategy.

Reserves

116. The CIPFA Local Authority Accounting Panel (LAAP) bulletin 99 provides guidance on the establishment and maintenance of reserves. It does not prescribe level of reserves, but instead places the responsibility on the chief finance officer to advise the Council on the creation and level of reserves appropriate to its circumstances.

117. The bulletin states that reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows
- a contingency to cushion the impact of unexpected events
- a means of building up funds, often referred to as "earmarked" reserves to meet known or predicted requirements.

118. The level of usable reserves held by the council decreased by £6.367 million, from £22.458 million to £16.091 million, during 2018/19 as shown in [exhibit 9](#). This decrease was mainly attributable to the £6.072 million released from the HRA reserves balance to fund regeneration of housing stock work, discussed at paragraphs [60](#) and [61](#).

Exhibit 9

West Dunbartonshire Council usable reserves

Reserve	31 March 2018 £' million	31 March 2019 £' million
General fund	10.975	10.998
Housing revenue account reserve	7.422	1.606
Capital grants unapplied account	0.314	0.278
Capital reserve	3.269	2.847
Other reserves	0.478	0.362
Total usable reserves	22.458	16.091

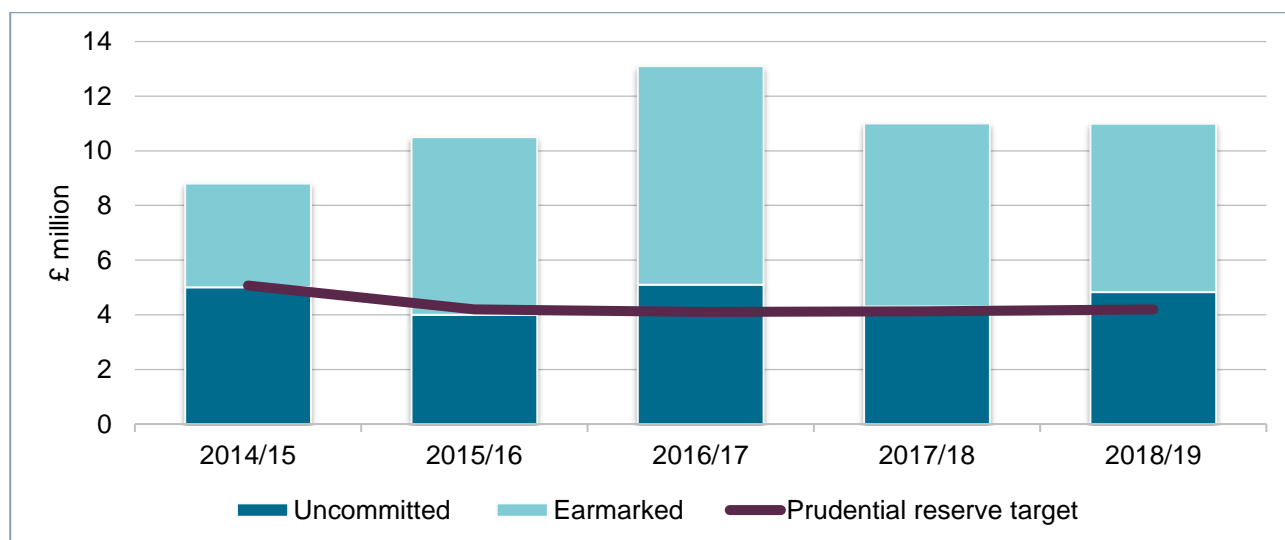
Source: West Dunbartonshire Council Annual Accounts 2018/19

General Fund

119. [Exhibit 10](#) provides an analysis of the general fund balance over the last five years split between the earmarked and uncommitted elements.

Exhibit 10

Analysis of general fund balance over last five years



Source: West Dunbartonshire Council Annual Accounts 2014/15 to 2018/19

120. The council's approved reserves strategy specifies that there should be a prudential reserve of 2% of net expenditure to safeguard assets and services

against financial risk. This equates to £4.192 million for 2018/19. The uncommitted general fund balance at 31 March 2019 was £4.828 million.

121. Although, the current uncommitted general fund balance is above the approved prudential reserve target, the council still has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities. Furthermore, the approved 2019/20 budget includes the one-off use of reserves balances, paragraph 88. This presents a risk that the council will have insufficient reserves to respond to unforeseen events or reductions in future funding. The council should ensure that a sufficient reserve balance is maintained for this purpose.



[Recommendation 6 \(Appendix 1 - Action Plan\)](#)

Good Practice – Earmarked balances

£6.170 million of the general fund balance at 31 March 2019 has been earmarked. It is important that amounts are only earmarked where there is a known commitment, or approval to use those amounts for a specific purpose, and this is clearly communicated to elected members and other stakeholders. We are pleased to note that all earmarked elements represent genuine commitments and have been disclosed within a note in the audited accounts.

City Deals

122. The Glasgow City Region City Deal was the first in Scotland and involves eight councils working together to deliver infrastructure, innovation and employment projects to improve their economic performance. Launched in August 2014, the £1.1 billion deal includes £500 million from the UK and Scottish governments over a 20-year period, plus £130 million from the eight councils. It is estimated that the deal will attract an estimated £3.3 billion of private-sector investment, create 29,000 permanent jobs and increase gross value added – that is, the value of all the goods and services that the region produces without taxes or subsidies – by £2.2 billion per year.

123. West Dunbartonshire Council is one of eight councils included in the Glasgow City Region City Deal. It is one of the smallest councils involved in the City Deal but is an equal partner and plays an active role in the governance structure. It is represented on all sub-groups and takes the lead on the Housing and Equalities portfolio.

124. In 2017/18 we reported that the council were developing an infrastructure project as part of the City Deal: the Exxon Site at Bowling. This is anticipated to cost £34.1 million over 7 years with an expected £29.3 million (86%) funded through grants from the UK and Scottish governments and the remaining £4.8 million (14%) funded by contributions from the council. The project includes a proposal to create an industrial and commercial development at the site and plans for a new road to provide an alternative route in and out of West Dunbartonshire.

125. This project supports the council's priority to generate additional employment opportunities in West Dunbartonshire and increase the Gross Value Added (GVA) of the area. It aims to improve job density, which is low within West Dunbartonshire at 0.55 per head, compared with the Scottish average of 0.8 per head. The project should help address the average length of unemployment which is the longest within the City Deal region.

126. The refreshed Outline Business Case (OBC) for the Exxon site project was approved by the City Deal Cabinet on 12 February 2019, and the Final Business Case is anticipated no later than November 2020. However, The City Deal update paper taken to the Council meeting in August 2019 advised that ExxonMobil are not in a position at present to conclude their procurement approach to deliver the remediation strategy. There is a risk that this delay in decontaminating the

proposed development site will impact upon the planned delivery of the overall project. Management have advised that the council are continuing to liaise with ExxonMobil to progress this crucial stage of the project.

127. The council continues to work with its City Deal partners on a range of other projects intended to deliver benefits for residents of West Dunbartonshire including improved digital connectivity and enhanced employment opportunities.

EU Withdrawal

128. EU withdrawal will inevitably have implications for the public sector in Scotland. In October 2018, Audit Scotland published the briefing paper: [*Withdrawal from the European Union*](#). The paper emphasised the importance of public sector bodies working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

129. Following a Regional Workshop on 6 February 2019, the council's Resilience Group decided that the council should prepare a bespoke EU Exit Assurance Action Plan, based upon the Scottish Planning Assumptions, to set out the key risks to the council and the mitigating actions to address these. The action plan is designed to complement the other preparatory work taking place across the council and covers a range of risks relating to:

- workforce issues
- financial and funding implications
- information and data sharing arrangements
- travel, freight and borders issues
- demonstrations and disorder risks, and
- other potential risks to the operation of the council.

130. The council have kept staff and elected members informed of developments in this area and the steps being taken to prepare for the potential impacts. It also submitted the 'Brexit Preparedness' return to the Convention of Scottish Local Authorities (COSLA) in April 2019 to advise them of the arrangements put in place.

131. Although there is still no clarity over the actual arrangements for the UK's exit from the EU, we are satisfied that the council has taken all reasonable steps to ensure it is as prepared as possible for the potential implications of EU withdrawal.

Part 4

Governance and transparency



Main Judgements

Overall effective governance arrangements are in place in the council but improvements in Internal Audit practices and the governance of procurement are required and are being progressed.

The council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council.

The council is open and transparent in the way it conducts its business and the public can attend meetings of the Council and its standing committees.

Governance arrangements

132. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

133. Following the elections in May 2017, no political party in West Dunbartonshire had an overall majority. A joint administration was formed, made up of ten SNP councillors and one independent councillor. As the largest single group not in administration, it was agreed that Labour would form the official opposition.

134. The council's strategic plans clearly set out its vision and priorities. The Chief Executive and Senior Management Team provide clear direction through the council's 'Leadership and Governance' structure and the Performance, Monitoring and Review Group meet monthly to monitor progress against the plan. There are also weekly meetings attended by the Chief Executive, strategic directors and strategic leads to review current issues. We reported in the [*Best Value Assurance Report \(June 2018\)*](#) that senior officers are motivated and passionate in striving to achieve the council's priorities.

135. Within the political environment in which local authorities operate, there is evidence that the West Dunbartonshire councillors work well together. Discussions at committees focus on the main issues and councillors are able to make decisions. Working relationships between officers and councillors are generally respectful and constructive.

136. The council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council. It is hoped this will assist officers and elected members in progressing the difficult service and financial decisions which will have to be made going forward. We will monitor the impact of the new cross-party meetings on the operation of the council as part of our 2019/20 audit.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Training and support for elected members

137. In addition to a comprehensive induction process for new members, the council offers briefing sessions and seminars to give councillors more in-depth information to support scrutiny and decision-making. During 2018/19 this included the provision of a briefing paper for all members in March 2019 on the council's preparation for the UK leaving the EU, discussed at paragraphs [128-131](#).

Openness and transparency

138. Transparency means that the public have access to understandable, relevant and timely information about how the council is taking decisions and how it is using resources such as money, people and assets.

139. There is evidence from several sources which demonstrate the council's commitment to openness and transparency:

- Members of the public can attend meetings of the full council, executive and other committees. Minutes of these committee meetings and supporting papers are readily available on the council's website.
- The council's website allows the public access to a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website provides details of the citizens' panel and how to join it. The panel provides information and feedback on services as well as views on the needs of local communities.
- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance for the year, paragraphs [38](#) and [39](#).

140. Overall, we concluded that the council conducts its business in an open and transparent manner.

Integration of health and social care

141. The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.

142. In November 2018, the Auditor General and Accounts Commission issued the [*Health and social care integration: update on progress report*](#). The report highlighted that, while some improvements have been made to the delivery of health and social care services, IJBs, councils and NHS boards need to show a stronger commitment to collaborative working to achieve the real long-term benefits of an integrated system.

143. The West Dunbartonshire Integration Joint Board (WDIJB) was formally established on 1 July 2015. The Chief Officer of WDIJB is one of West Dunbartonshire Council's strategic directors.

144. In March 2019 the board approved its third strategic plan, covering the three-year period 2019/20 to 2021/22. The strategic plan sets out how the partnership will use its resources to continue to integrate services and contribute to local and national objectives and priorities.

145. The WDIJB Integration Scheme details the body corporate arrangement by which NHS Greater Glasgow and Clyde Health Board and West Dunbartonshire Council agreed to formally delegate all community health and social care services provided to children, adults and older people, criminal justice social work services and some housing functions. The Public Bodies (Joint Working) Act (Scotland)

2014 requires that Integration Schemes are reviewed within five years of establishment. The current scheme is due to be revised by July 2020 and arrangements are in place for this to be reviewed in partnership with the council, the health board, and other Glasgow group IJBs, by this date.

Enforcement of community payback orders

146. A recent Care Inspectorate report identified weaknesses in how well Community Payback Orders (CPO) are implemented and managed within West Dunbartonshire. It highlighted that practice was not consistent with the national framework for the assessment and management of risk. It also reported that in a high proportion of instances, case management plans are not completed, and plans are not reviewed in accordance with national guidelines.

147. This report was considered at the West Dunbartonshire Integration Joint Board meeting in August 2019 and the urgent need for improvements has been recognised and is being addressed.

Internal Audit

148. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carried out an assessment of the internal audit function at the council. This confirmed that overall the internal audit function has adequate documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS). However, some specific areas for improvement were also identified:

- We reported in our Annual Audit Plan that management and elected members monitor and scrutinise progress on internal audit actions through regular reports to CMT (monthly) and to Audit Committee (at each Committee). From our review of the reports and minutes of the audit committee, we have identified that there are internal audit actions which have not been implemented by the due date agreed.
- We identified areas for improvement on a specific investigation reported by Internal Audit in 2018. Our findings are reported at paragraphs [151-154](#).

149. During the year the Internal Audit team undertook a review of the operation of controls over the main accounting system, including the controls over standing data. We reviewed this work, with reference to International Standard on Auditing 610 – Using the work of internal auditors, to confirm that we could place reliance on this work.

150. Our review of internal audit's work concluded that this had not identified any significant weaknesses in the main accounting function control environment that could result in a material misstatement in the information produced from the system.

Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services

151. As part of our audit responsibilities, we completed an [Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services \(April 2019\)](#). The findings were reported to a special meeting of the Council on 14 May 2019 and identified weaknesses in procurement governance arrangements (paragraph [74](#)). It also included a number of recommendations relating to internal audit as detailed below.

152. We identified that the time taken by Internal Audit to investigate and report on the allegations to the Audit Committee, between March 2016 and December 2018 was excessive. The format of the Internal Audit report was not appropriate for an

investigation of this nature and could not be easily shared with members. The summary findings presented to the Audit Committee in December 2018 lacked the level of detail required by members for them to effectively scrutinise the issues identified.

153. In relation to our findings we made the following recommendations:

- The format of all Internal Audit reports should be reviewed, and the level of detail provided to the Audit Committee should be reconsidered.
- Internal Audit should ensure that the scope of future procurement audits adequately covers relevant areas.
- Internal Audit should review how they document complex investigations to ensure clear documentation, in accordance with Public Sector Internal Audit Standards.
- The approach taken to investigating serious allegations should be reviewed. Staff should respond quickly to internal audit queries, to facilitate timely reporting of audit findings. Progress updates to the Audit Committee or appropriate member groups should also be considered.

154. Our recommendations have been accepted by the Audit Manager and improvement actions agreed. A number of the improvements have already been implemented and target dates set for the remaining actions. We will monitor and report on progress during 2019/20.

National Fraud Initiative

155. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

156. NFI activity as at 6 September 2019 is summarised in [Exhibit 11](#). We identified three areas for improvement during the completion of the latest NFI questionnaire, which was issued to the Internal Audit manager and the Strategic Lead – Resources. These were:

- The Internal Audit manager should discuss the NFI checklist with the chair of the Audit Committee going forward as part of their regular planned meetings. In addition, the checklist should be tabled for noting at the Audit Committee for the next main NFI cycle and thereafter.
- The Internal Audit manager should produce an output identifying frauds and errors flagged through the NFI exercise and use this information to improve internal controls
- The Internal Audit manager and his team should will follow up progress across the council periodically to confirm that all departments are taking a proactive approach to investigating relevant matches.

157. We concluded that the council engage positively with NFI. They have made good progress to date and it is a vital part of the council's approach to tackling fraud and corruption. The annual counter fraud update report includes NFI statistics and progress updates to ensure members are kept informed of the process.

Exhibit 11

NFI activity



5,151

Matches



803

Recommended for
investigation



1,946

Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

Standards of conduct for prevention and detection of fraud and error

158. The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

159. We concluded that the council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

Part 5

Best Value



Main judgements

The [*Best Value Assurance Report \(June 2018\)*](#) (BVAR) reported that the council demonstrates a focus on delivering Best Value. The report said that there was evidence of continuous improvement in its services. There is evidence that the council's performance improvement against its strategic indicators has continued in 2018/19.

Good progress has been made against all five recommendations made in the 2018 Best Value Assurance Report.

The council has adequate arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.

The council and other stakeholders have prepared a Community Empowerment Strategy and Action Plan which will be published in November 2019.

Best value

160. Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period.

161. The [*Best Value Assurance Report \(June 2018\)*](#) for West Dunbartonshire Council was published on 28 June 2018 and reported that the council had made significant improvements in how it works since the previous Best Value report in 2007. It highlighted that the council now demonstrates a focus on delivering Best Value and there was evidence of continuous improvement in its services. The report also included five recommendations which were endorsed by the Accounts Commission.

162. At its meeting on 29 August 2018, the council agreed a Best Value Assurance Improvement Plan which included actions to address all recommendations included in the BVAR. It also agreed that progress against the plan would be reported to the Audit Committee on a six-monthly basis over the period of the plan with a final report presented to full council following delivery of all the actions contained in the improvement plan.

163. This section of the report provides a summary of the progress made against the BVAR recommendations. It also covers other audit findings relating to the audit dimension of Value for Money, referred to in [exhibit 1](#).

164. The Controller of Audit will consider the results of this follow up work, and report to the Accounts Commission on the extent of improvements made.

Best Value is concerned with using resources effectively and continually improving services.

Progress against BVAR

165. [Exhibit 12](#) sets out our view on the progress made against the BVAR recommendations. We are pleased to note that good progress has been made against all five recommendations. We will continue to monitor progress against the ongoing recommendations as part of our 2019/20 audit.

Exhibit 12 Progress against BVAR

Recommendation	Audit Scotland view on progress to date
1. To reduce the level of slippage on the capital plan, the council should review its project management processes.	Ongoing As detailed at paragraphs 64-68 , the council has completed the four improvement actions identified to address the level of slippage in the capital programme. However, there is little evidence yet that the actions taken are delivering the intended improvements in the delivery of the capital programme. We will continue to monitor progress in this area during 2019/20.
2. Workforce plans are in place and should be further developed to include forecasts of workforce numbers, the expected shape of the workforce and costs, over the planning period.	Complete As detailed at paragraphs 95-99 , action has been taken to address the BVAR recommendation and strengthen the existing workforce planning arrangements by including forecasts of workforce numbers, the expected shape of the workforce and costs within workforce plans.
3. Some staff are finding the pace of change challenging and staff absence remains an issue. The council is taking positive steps to try and address this and should continue to explore opportunities for improvement.	Ongoing As detailed at paragraphs 100-104 , the council has taken a range of action to support staff and tackle sickness absence levels. The impact of these actions has not yet been reflected in the reported sickness absence figures, but we accept that delivering such improvement will be a longer-term process. We will continue to monitor progress in this area during 2019/20.
4. The Community Alliance brings together representatives from neighbourhood, interest and user groups. The council sees it as an important engagement link with the community but there are a number of challenges that it needs to address. The council should continue to offer help to further develop the role of the CA and help it reach its full potential.	Ongoing As detailed at paragraphs 173-178 , a draft Community Empowerment Strategy and Action Plan has been developed in consultation with a range of stakeholders, and resident feedback has been gathered via community events and an online survey. The feedback received will be reflected in the final Community Empowerment Strategy and Action Plan which is expected to be published in November 2019. As part of our 2019/20 audit we will monitor the progress in delivering the published Community Empowerment Strategy and Action Plan.
5. Councillors should consider working in cross-party groups to address the financial challenges which exist and the important decisions required in the future.	Complete As detailed at paragraph 136 , the council has introduced bi-monthly cross-party meetings between the Chief Executive and group leaders to discuss strategic issues and the challenges facing the council. It is hoped this will assist officers and elected members in progressing the difficult service and financial decisions which will have to be made going forward. We will monitor the impact of the new cross-party meetings on the operation of the council as part of our 2019/20 audit.

Source: Audit Scotland

Fairness and equality

166. As part of our 2018/19 audit we reviewed the council's arrangements for ensuring that they meet their responsibilities under the Equality Act 2010 and considered the extent to which the best value principle of fairness and equality is embedded within the organisation.

167. The Equality Act 2010 requires public bodies to consider all individuals when carrying out their day-to-day work: in shaping policy, in delivering services and in relation to their own employees. The public sector equality duty, also known as the general equality duty, covers the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This duty requires public bodies to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act
- advance equality of opportunity among all people
- foster good relations between different people when carrying out their activities.

168. The Scottish Specific Duties (introduced in May 2012) requires listed authorities to carry out the following activities:

- Report on mainstreaming the equality duty
- Publish equality outcomes and report progress
- Assess and review policies and practices
- Gather and use employee information
- Publish gender pay gap information
- Publish statements on equal pay
- Consider award criteria and conditions in relation to public procurement.

169. West Dunbartonshire Council are listed authorities for both the Equality Act and the Specific Duties in Scotland. Consequently, they are required to report progress on mainstreaming the public sector equality duty and to report progress on their published equality outcomes.

170. The West Dunbartonshire Council [*Equality Outcomes and Mainstreaming 2017-2021 – Progress Report 2019*](#) was approved by the Corporate Services Committee on 22 May 2019 and is published on the council's website. The report provides a detailed overview of the council's work on equality, focusing on reducing significant inequalities, compliance and accountability. The equality outcomes are based on consultation and involvement, and reflect relevant local and national evidence and research. The report contains the required information on employment equalities and the gender pay gap, and also includes the council's equal pay statement.

171. Our work also identified a range of other activities across the council that address the other requirements of the Equality Act and ensure that fairness and equality is embedded within the organisation. These include:

- Completion of equality impact assessments for all new and developing policies – These consider how a policy or function will affect the wellbeing of different groups of people, with particular needs, or who are disadvantaged

in some way, and provide an opportunity to drive fairness and good business practice.

- Preparation of British Sign Language (BSL) Action Plan 2018-24 – The council have developed a BSL Action Plan to enable BSL users (those individuals whose first or preferred language is BSL) to be fully involved in daily and public life as active, healthy citizens able to make informed choices about all aspects of life.
- Involvement of equality groups – The West Dunbartonshire Equalities Forum brings together local equality groups with key statutory services to share information and help co-ordinate work on advancing equalities.
- Production of West Dunbartonshire social and economic profile – ‘West Dunbartonshire by Numbers’ pulls together in one document a wide range of social and economic information about the area, making publicly available a range of data about local life with a strong emphasis on people and place. The profile contains information on population, crime, housing, education, the local economy, and the environment, as well as a wider range of topics including digital inclusion. The data contained within the profile provides good quality information that is used by the council to help design and deliver effective and efficient services. It is also published on the council’s website and is used more widely by other stakeholders such as community groups and the third sector.

172. Overall, we have concluded that the council has satisfactory arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.

Community engagement

173. The *Best Value Assurance Report (June 2018)* confirmed that the council and its partners are well placed to face the substantial challenges in West Dunbartonshire around reducing population, economic deprivation and poor health outcomes. It also highlighted the importance of the Community Alliance in further developing how the council and its partners involve communities in facing these challenges, and recommended that the council continues to offer support to help it reach its full potential.

174. The council’s Best Value Assurance Improvement Plan, prepared in response to the BVAR, included three related actions to address this recommendation:

- Create a Community Empowerment short life steering group involving all relevant stakeholders.
- Undertake engagement and involvement of community and wider stakeholders to understand challenges of Community Alliance and barriers experienced in fully utilising the provisions of the Community Empowerment Act.
- Develop a Community Empowerment Strategy through a programme of consultation and engagement.

175. The Community Empowerment short life steering group was established in November 2018 and includes representation from key council services, West Dunbartonshire Integration Joint Board, West Dunbartonshire Leisure Trust, Police Scotland, West Dunbartonshire Community and Volunteering Services, and elected members (Depute Leader and the convenor of the Housing and Communities committee).

176. The Scottish Community Development Centre (SCDC) was commissioned to deliver a series of informal discussion events in various venues across West Dunbartonshire to discuss community empowerment and the development of a

strategy and action plan which will support people to become more involved in their communities.

177. A draft Community Empowerment Strategy and Action Plan has been developed and resident feedback on the draft was sought via community events and an online survey on the council's website. The survey closed on 13 September 2019 and the feedback received will be reflected in the final Community Empowerment Strategy and Action Plan which is expected to be published in November 2019.

178. As part of our 2019/20 audit we will monitor the progress in delivering the published Community Empowerment Strategy and Action Plan.

Arrangements to drive continuous improvement

179. The [*Best Value Assurance Report \(June 2018\)*](#) considered the arrangements in place to drive continuous improvement. It identified that the council's Strategic Improvement Framework, which delivers the transformation agenda of the council, drives continuous improvement and prepares its services for the future. The framework sets out that the council will deliver continuous improvement by:

- Setting clear outcomes and priorities
- Self-evaluation
- Benchmarking and improving services and planning
- Managing, monitoring and reporting on its performance
- Being externally assessed and accredited.

180. The council has a self-evaluation framework and a three-year rolling programme for services to carry this out. All council services not subject to an external assessment, such as that carried out by the Scottish Housing Regulator or Education Scotland, are part of this programme. The Performance Monitoring and Review Group agree the timing of self-evaluations based on risk assessments of each service.

181. After self-evaluation, the service reviews its annual service plan and delivery plans to include:

- Improvement actions identified
- External scrutiny recommendations
- Customer and employee feedback
- Relevant benchmarking data.

182. Service action plans are developed following self-evaluation. Where there are significant areas for improvement, the service's performance and strategy business partner works with the management team to scope this as a project and link into the Organisational Development and Change team for a more comprehensive plan of support. This is then scheduled into a work programme for continuous improvement.

183. At a corporate level, the performance and strategy business partners are responsible for collating the findings from the self-evaluation exercises to compare performance between different service areas and ensure that improvement actions are appropriate.

184. Improvement priorities and actions are set out in the 8 annual service delivery plans which include a review of the previous year's performance. The plans

provide balanced analyses of performance and, as reported in the BVAR, there is evidence of actions leading to improved outcomes.

Strategic plan performance

185. The Strategic Plan 2017-22 includes 40 performance indicators with five-year targets and annual milestones set for each. The targets were set from a baseline position and will be reviewed over time. Progress against the plan is monitored and reported to the full Council on an annual basis.

186. The annual report on performance against the indicators within the Strategic Plan was presented to the August 2019 Council meeting. This included performance against 39 of the 40 performance indicators (data for one indicator was unavailable at the time of reporting) and reported that 26 (67%) met or exceeded the target set for 2018/19. This is an improvement on the performance reported in 2017/18 when 24 (60%) met or exceeded the target. Of the 13 indicators that did not meet their target, seven narrowly missed the target and six were significantly missed. Any indicator that has not achieved its target is included in the relevant delivery plans and officers have developed action plans to improve performance.

187. The [Best Value Assurance Report \(June 2018\)](#) (BVAR) reported that the council demonstrates a focus on delivering Best Value. The report said that there was evidence of continuous improvement in its services. There is evidence that the council's performance improvement against its strategic indicators has continued in 2018/19.

Statutory performance indicators (SPIs)

188. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

189. For 2018/19 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value
- SPI 2: relates to the reporting of performance information as required by the [Local Government Benchmarking Framework](#).

190. West Dunbartonshire Council continue to participate in the Local Government Benchmarking Framework and publish a range of performance information on the council website that adequately covers all the requirements set out in the 2018/19 SPI direction issued by the Accounts Commission.

National performance audit reports

191. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, Audit Scotland published a number of reports which are of direct interest to the council. These are outlined in [Appendix 3](#).

192. The Audit Committee has processes in place to consider national reports. From our attendance at committee meetings, we have noted that there is evidence of actions being taken to address areas for improvement locally.

Appendix 1

Action plan 2018/19



No. Issue/risk

Recommendation

Agreed management action/timing

Recommendations for West Dunbartonshire Council

1	<p>Revaluation of non-current assets</p> <p>Due to the change in valuer for 2018/19 there was a delay in the provision of the valuations as at 31 March 2019 required as part of the rolling revaluation programme.</p> <p><i>There is a risk that similar issues will be encountered in 2019/20 and these impact on the preparation or sign-off of the annual accounts.</i></p>	<p>The council should work with the external valuers to ensure these issues are not repeated in 2019/20.</p> <p>Exhibit 3 – Finding 1</p>	<p>Officers will ensure that the valuers work to a defined timetable for the timeous provision of valuation information</p> <p>Capital Investment Programme Manager</p> <p>31 March 2020</p>
2	<p>Group accounting errors</p> <p>Multiple errors were identified in the group account statements in the unaudited accounts.</p> <p><i>There is a risk that errors in the group accounts consolidation process result in a material misstatement in the annual accounts.</i></p>	<p>Procedures should be put in place to ensure that the unaudited group accounts statements are free from misstatement and reflect the component group bodies accounts.</p> <p>Exhibit 3 – Finding 3</p>	<p>An improved year-end process will be implemented to avoid future errors</p> <p>Finance Manager</p> <p>31 March 2020</p>
3	<p>Capitalisation of software licenses</p> <p>As part of our expenditure testing, we identified expenditure on multi-year software licenses that had not been capitalised as an intangible asset.</p> <p><i>There is a risk that capital expenditure is not accurately reflected in the annual accounts.</i></p>	<p>As part of the 2019/20 year-end closedown procedures, Management should review all significant revenue expenditure during the year to identify any expenditure that should be capitalised</p> <p>Exhibit 3 – Finding 4</p>	<p>A review process will be implemented to check for potential cases of capital spend being charged to revenue</p> <p>Finance Manager</p> <p>30 September 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
4	<p>Cash receipting system reconciliations</p> <p>The year-end reconciliation between the cash receipting system and the ledger system included a large number of reconciling items due to ongoing issues with the posting of payments to the ledger from the new Capita cash receipting system.</p> <p><i>There is a risk that significant staff time input is required to identify and investigate differences when preparing the reconciliation.</i></p>	<p>The council should continue to work with the system provider to address these issues and reduce the number of reconciling items each period.</p> <p>Paragraph 81</p>	<p>Officers are engaged with the system provider to improve system functionality and minimise reconciling items</p> <p>Finance Manager</p> <p>31 December 2019</p>
5	<p>Creditors reconciliations</p> <p>We reported last year that there was no formal review of period-end creditors reconciliations. This is still the case and there is also an associated risk due to reliance being placed on one individual to complete the reconciliation. This presents a risk that the reconciliation could not be completed in their absence.</p> <p><i>There is a risk that the period-end creditors reconciliations are not correctly completed.</i></p>	<p>Management should ensure that period-end creditors reconciliations are evidenced as reviewed and that sufficient staff are trained to complete the reconciliations.</p> <p>Paragraph 82</p>	<p>Management will review the process and undertake a training process to increase knowledge around undertaking all reconciliations</p> <p>Finance Manager</p> <p>31 December 2019</p>
6	<p>Financial Sustainability</p> <p>The council has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities and the approved 2019/20 budget includes the one-off use of reserves balances.</p> <p><i>There is a risk that the council will have insufficient reserves to respond to unforeseen events or reductions in future funding.</i></p>	<p>The council should ensure that sufficient reserve balances are maintained for this purpose.</p> <p>Paragraphs 119-121</p>	<p>Council will continue to consider the appropriate level of retained reserves when setting budgets</p> <p>Strategic Lead – Resources</p> <p>4 March 2020</p>



No. Issue/risk

Recommendation

Agreed management action/timing

Recommendations for charities administered by West Dunbartonshire Council

CH1	<p>Governance and investment documentation</p> <p>As previously reported:</p> <ul style="list-style-type: none"> The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 requires to be updated. The governing documentation for the McAuley Prize for Mathematics is not available and a new trust deed required. <p><i>There is a risk that the Trust does not hold the title to the investment. There is also a risk of delay in issuing awards.</i></p>	<p>Management should progress these issues to ensure that adequate governance and investment document is maintained for all trust funds administered by West Dunbartonshire Council.</p>	<p>Officers are working with other Councils involved in these Funds to reach a satisfactory conclusion</p> <p>Chief Monitoring Officer</p> <p>31 March 2020</p>
CH2	<p>Dormant trusts</p> <p>As previously reported, some of the trusts have been dormant for a number of years and annual activity on all trusts is minimal.</p> <p><i>There is a risk that no tangible benefit is being derived from these trust funds.</i></p>	<p>The council should investigate whether schemes of amalgamation and rationalisation of trust funds could be prepared that would allow, through the alteration of objects and the merging and de-restriction of funds, increased flexibility in terms of potential beneficiaries and awards.</p>	<p>Officers will review options around the dormant funds and continue to promote the trusts and the submission of funding applications</p> <p>Finance Manager</p> <p>31 March 2020</p>

Follow up of prior year recommendations

PY1	<p>Housing revenue account – housing stock</p> <p>Through the audit, it was found that 12 new build properties, totalling £1.663 million, were omitted from the fixed asset register. This move, from assets under construction to council dwellings, resulted in an impairment of £0.985 million.</p> <p><i>There is a risk that without proper procedures, the fixed asset register is incomplete.</i></p>	<p>The council should review its procedures for identifying housing stock which should be included in the fixed asset register.</p>	<p>Action complete</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
PY2	<p>Remuneration Report disclosure</p> <p>The table in the Remuneration Report showing employees who earned over £50,000 indicates that the increase in the number shown from last year to this year is due to 14 payment runs in 2017/18. This table has been calculated on a cash basis and should have been calculated on an accruals basis.</p> <p>There is a risk that the table does not accurately reflect those employees who earn over the threshold for disclosure in the remuneration report.</p>	<p>The council should ensure that satisfactory arrangements are put in place to produce this table on an accruals basis, in line with the rest of the Remuneration Report.</p>	<p>Action complete</p>
PY3	<p>Group boundary assessment and basis of combination</p> <p>The trust funds and common good fund have not been accounted for as subsidiaries. As the Council is the sole trustee for these funds, this indicates that the incorrect accounting treatment is being applied within the group financial statements. This is a disclosure adjustment only and we have accepted this treatment for 2017/18.</p> <p>There is a risk that the incorrect accounting treatment is being applied for components within the group financial statements.</p>	<p>Management should undertake an annual group boundary assessment to identify any changes within the group for the year. Officers should also review the basis of combination of entities included within the assessment.</p>	<p>Action complete</p>
PY4	<p>Untaken annual leave accrual</p> <p>As in previous years, our review of the untaken annual leave accrual identified an error within the calculations. The net effect resulted in an increase of £0.140 million.</p> <p>There is a risk that the annual leave accrual is not properly calculated.</p>	<p>The council should review its procedures for calculating the annual leave accrual.</p>	<p>Action complete</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
PY5	<p>Accounts payables/receivables working papers</p> <p>The initial set of working papers received for accounts payable and receivable did not provide a clear audit trail or breakdown of all outstanding balances at year-end.</p> <p>There is an increased risk of material error in the financial statements.</p>	<p>The council should review its procedures for producing working papers at the year end. Specifically, working papers for balances should not include transactions during the year.</p>	<p>Action complete</p>
PY6	<p>Education Maintenance Allowance (EMA)</p> <p>During the audit of the EMA grant claim, we identified numerous errors leading to three revisions of the claim. A final, fourth version was submitted for audit which identified an overclaim by the Council during the year.</p> <p>The Scottish Government deadline of 30 April for submission of the claim to the audit team was also missed significantly by five weeks.</p> <p>There is a risk of inadequate arrangements leading to misstatements in the monthly claims and the year-end claim.</p>	<p>The council should review its arrangements to ensure that the EMA claim is prepared in accordance with the SG timetable and that amounts claimed are accurate. The quality of the working papers and evidence provided to audit should also be improved.</p>	<p>Action complete</p>
PY7	<p>Housing Revenue Account - methodology for calculating and allocating HRA costs</p> <p>Guidance from the Scottish Government on operating Local Authority Housing Revenue Accounts (HRA) states that there must be a robust, written methodology for calculating and allocating HRA costs (including internal costs charged by the council to the HRA). The Council requires to formalise its written methodology.</p> <p>Without a formal written methodology there is a lack of transparency for tenants</p>	<p>The council should formalise its written methodology in line with the Scottish Government guidance and, to improve transparency, consider publishing this on its website.</p>	<p>Action complete</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	and other interested parties to understand why costs are being charged and who is benefitting from the services these costs relate to.		
PY8	Inventories A number of issues were found while auditing inventories. Stock which had been written-off during the year had not been eliminated from the year-end balance. We also found an instance where stock included in the financial statements was not supported by a stock certificate. From our audit work we have concluded there is a high risk of obsolete stock being included in the year end value.	Management should undertake a review of stock and write-off any obsolete stock. Management should also consider a secondary review of stock calculations and certificates.	Action complete
PY9	Period end reconciliation and review The year-end bank reconciliation for creditors (period 13) was not completed or reviewed till mid-July, after the draft accounts were approved. In addition, the year-end ledger reconciliation for creditors was not reviewed. There is a risk that errors are not identified in a timely manner.	Management should ensure the year end procedures for preparing and reviewing reconciliations are being followed.	No issues were identified with the completion of the bank reconciliations during 2018/19. However, there is still no formal review process for the creditors reconciliations. There is also an associated risk due to reliance being placed on one individual to complete the reconciliation. This presents a risk that the reconciliation could not be completed in their absence. See recommendation 5 above.
PY10	Debit balances in debtors and creditors From our audit testing, we identified debit balances totalling £0.296 million within both debtors and creditors. These are historic balances, with some dating back to 1996. There is a risk that the balance sheet is overstated with historic debit balances.	Officers should review these balances and the likelihood of their recovery and write-off amounts as necessary.	Action complete



No. Issue/risk

Recommendation

**Agreed management
action/timing**

PY11 Fixed asset register

From our audit testing of non-current assets we found assets in the fixed asset register with a negative net book value totalling £0.080 million. This is due to excess depreciation being charged in error.

There is a risk that assets are incorrectly accounted for in future financial statements.

Officers should review the controls over the fixed asset register. Officers could implement a formula to highlight any assets which move from a positive to negative value.

Action complete

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Risk of management override of controls ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.	<ul style="list-style-type: none"> • Completion of external audit review of the council's response to issues identified on the awarding of a series of contracts. • Review of the Annual Governance Statement. • Review of the assurances obtained by the Section 95 officer for the Governance Statement. • Review the work completed by the procurement section, including analysis of spend against contracts. • Detailed testing of journal entries. • Review of accounting estimates. • Focused testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. 	<p>No unusual or inappropriate transactions were identified as part of the detailed testing of journal entries.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>Focussed testing of regularity and cut-off assertions did not reveal any lapses in controls</p> <p>No significant transactions outside the normal course of council business were identified.</p> <p>Our conclusion is that there is no evidence of management override of controls, other than the non-compliance with financial regulations relating to procurement reported at paragraphs 72-78.</p>
2 Risk of fraud over income The council receives a significant amount of income from several sources in addition to Scottish Government funding. The extent and complexity of income means that, in	<ul style="list-style-type: none"> • Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk. 	<p>Sample testing of income transactions to confirm that these were in the normal course of business.</p> <p>We obtained satisfactory explanations for any significant increases or decreases in income.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>accordance with ISA240, there is an inherent risk of fraud.</p>		<p>Our sample cut-off testing confirmed that transactions were processed in the correct accounting year.</p> <p>The council has adequate counter-fraud arrangements.</p> <p>Our conclusion is that the council has arrangements in place to minimise the risk of fraud over income.</p>
<p>3 Risk of fraud over expenditure</p> <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure.</p>	<ul style="list-style-type: none"> Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focussing on the areas of greatest risk. 	<p>Sample testing of expenditure transactions to confirm that these were in the normal course of business.</p> <p>We obtained satisfactory explanations for any increases or decreases in expenditure.</p> <p>Our sample cut-off testing identified where transactions were processed in the incorrect year, these were appropriate adjusted for by management.</p> <p>The council has adequate counter-fraud arrangements.</p> <p>Our conclusion is that the council has arrangements in place to minimise the risk of fraud over expenditure.</p>
<p>4 Estimation and judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas within pensions, non-current assets and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Review council's procedures for ensuring actuarial valuations provided are appropriate. Completion of 'review of the work of an expert' for the professional valuers. Focussed substantive testing of key areas. 	<p>A number of estimations and judgements in the accounts were based on the opinion of experts. We assessed the reliability of these experts and reviewed their work.</p> <p>We tested samples of accruals and provisions and confirmed them to appropriate back-up evidence.</p> <p>The council's accounting policies are appropriate.</p> <p>We concluded that estimations and judgements included in the audited accounts are supported by appropriate audit evidence.</p>
<p>5 Housing revenue account – housing stock</p> <p>In 2017/18, there was a material adjustment to the financial statements due to 12 new build properties omitted from the fixed asset register.</p>	<ul style="list-style-type: none"> Detailed testing of housing stock and review of the fixed asset register. 	<p>Our audit testing did not identify any errors or omissions of housing stock from the fixed asset register.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>There is a risk that non-current assets may be understated in the council's balance sheet.</p>		
<p>6 Untaken annual leave accrual</p> <p>For the past four financial years, there have been audit adjustments to the council's untaken annual leave accrual. There is a risk the accrual may be understated in the council's balance sheet.</p>	<ul style="list-style-type: none"> Review of the 2018/19 untaken annual leave accrual during the financial statements audit. Review the checking procedures put in place by officers 	<p>We did not identify any errors in the untaken annual accrual for 2018/19.</p>
<p>7 Accounts payable/receivable working papers</p> <p>During the 2016/17 and 2017/18 financial statements audit, the working papers for accounts payable and accounts receivable did not provide a clear breakdown of the balances held at year end.</p> <p>There is a risk of misstatement within the financial statements.</p>	<ul style="list-style-type: none"> Continue to work with officers prior to the compilation of the working papers. Carry out substantive testing of accounts payable and accounts receivable. 	<p>We reviewed the revised working papers and concluded that they provided a clear breakdown of balances held at year end.</p>
<p>8 Period end reconciliation and review</p> <p>The 2017/18 year-end bank reconciliation for creditors (period 13) was not completed or reviewed by officers till mid July, after the draft accounts were approved by the council. In addition, the 2017/18 year end ledger reconciliation for creditors was also not reviewed.</p> <p>There is a risk that errors are not identified in a timely manner.</p>	<ul style="list-style-type: none"> Review checking procedures put in place by officers. Substantive testing and controls testing of reconciliations. 	<p>No issues were identified with the completion of the bank reconciliations during 2018/19. However, there is no formal evidence to show that the year-end ledger reconciliation for creditors has been reviewed by a secondary person.</p> <p>See recommendation 4 in appendix 1, action plan.</p>
<p>9 Arrangements for grant claims</p> <p>During 2017/18 we identified a significant number of errors with the council's grant claims.</p> <p>The Education Maintenance Allowance claim was submitted for audit five weeks late and four versions of the claim were submitted to correct errors identified by audit.</p> <p>An error was identified by audit in the 2017/18 Housing Benefit Subsidy claim.</p> <p>There is a risk that the council loses funds as a result of errors</p>	<ul style="list-style-type: none"> Review checking procedures implemented. Audit of the grant claims. 	<p>We have not identified any significant errors within the EMA grant claim.</p> <p>The 2018/19 Housing Benefit Subsidy claim audit is yet to be concluded but no errors have through the testing already undertaken.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>in the claims. Also, additional staff and audit time is spent in revising the claims.</p>		
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>10 Financial sustainability</p> <p>At the time of writing this plan, the council had identified a funding gap of approximately £4.2 million in 2019/20. The council has agreed to close this gap using reserves.</p> <p>Additionally, the council's net borrowing, as a proportion of net revenue stream including dwelling rents, continues to be one of the highest in Scotland.</p> <p>There is a risk that the council's financial position may not be sustainable in the long term.</p>	<ul style="list-style-type: none"> Continue to monitor the financial position and provide an update in the Annual Audit Report. 	<p>The council has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities and the approved 2019/20 budget includes the one-off use of reserves balances.</p> <p>See recommendation 6 in appendix 1, action plan.</p>
<p>11 Follow up of Internal Audit actions</p> <p>From our review of the reports and minutes of the audit committee, we have identified that there are internal audit actions which have not been implemented by the due date agreed. For one action; main telephone delivery systems need to be implemented and tested, a delivery date of 31 October 2017 was agreed. This has not been actioned at the time of writing this report.</p> <p>There is a risk that the council is not implementing improvement actions in line with the agreed timescales.</p>	<ul style="list-style-type: none"> Continue to monitor the follow up of both internal and external audit actions by officers. 	<p>As at 7 June 2019, four internal audit actions were showing as outstanding since their original due date. Revised timescales have been set for these actions.</p> <p>We will continue to monitor these on an ongoing basis.</p>
<p>12 EU withdrawal</p> <p>There are considerable uncertainties surrounding the implications of EU withdrawal and public bodies should assess the potential impact on their operations and identify specific issues and planned responses.</p> <p>There is a risk that the Council is not prepared for the impact of EU withdrawal on the delivery of services.</p>	<ul style="list-style-type: none"> Assess how the Council has prepared for EU withdrawal, including the specific reports produced by the Council. Consider how the Council responds to any emerging issues after March 2019. 	<p>We are satisfied that the council has taken all reasonable steps to ensure it is as prepared as possible for the potential implications of EU withdrawal.</p> <p>See paragraphs 128-131</p>

Audit risk	Assurance procedure	Results and conclusions
<p>13 Capital management</p> <p>In 2018/19, gross capital expenditure (including HRA) is projected to be underspent against the original budget by £26.965 million (31%). There is a risk that the council's ability to deliver against its strategic plan is affected due to delays in investment and improvements to the asset base.</p> <p>In addition, general services capital receipts for 2018/19 are forecast to be lower than initially budgeted.</p>	<ul style="list-style-type: none"> On-going monitoring of capital budget, plans and monitoring reports. Follow up of the 2017/18 Best Value Assurance Report recommendations and report an updated judgement in the Annual Audit Report. 	<p>Capital slippage remains high in 2018/19, £34.795 million (41.5%) against the general services capital programme and £13.215 million (39.6%) against the HRA capital programme. Improvement actions to reduce the level of slippage are ongoing.</p> <p>See paragraphs 64-68</p>

<p>14 Procurement and tendering</p> <p>A recent internal audit report which covered tendering and contracting arrangements identified that procurement policies and procedures were regularly circumnavigated by the roads and greenspace department. A further internal audit report in relation to Fire Safety has identified similar failings.</p> <p>There is a risk that the council is not achieving value for money.</p>	<ul style="list-style-type: none"> Ongoing discussions with Internal Audit and Procurement. Review of the follow up work to be completed by Internal Audit in 2019. Completion of the external audit review of the council's response to allegations raised on the awarding of a series of contracts. 	<p>We produced a separate report <i>Audit Review of the Investigation of Tendering and Contracting Practices in Roads and Greenspace Services</i> which went to a special meeting of the Council on 14 May 2019.</p> <p>See paragraphs 72-78 and 151-154</p>
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Risks for charities administered by West Dunbartonshire Council

<p>1 Governance and investment documentation</p> <p>As previously reported, the following risks remain for the trusts;</p> <ul style="list-style-type: none"> The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 requires to be updated. The governing documentation for the McAuley Prize for Mathematics is not available and a new trust deed required. <p>There is a risk that the Trust does not hold the title to the investment. There is also a risk of delay in issuing awards.</p>	<ul style="list-style-type: none"> Liaise with officers during process of updating and replacing Deeds of Trust. Review Deeds of Trust. Comment in Annual Audit Report. 	<p>The McAuley Prize for Mathematics, Dunbartonshire Educational Trust Scheme 1962 and the UIE Award trust deeds all still require to be updated and discussions are ongoing between the council, Scottish Ministers and OSCR regarding this. Furthermore, the McAuley Prize for Mathematics and the Dunbartonshire Educational Trust Scheme 1962 are held in the name of Strathclyde Regional Council. This should be updated to West Dunbartonshire Council.</p> <p>See recommendation CH1 in appendix 1, action plan.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>2 Dormant trusts</p> <p>Some of the trusts have been dormant for a number of years, with an assessment made in previous years that no tangible benefits were being derived from the trusts. The most recent activity was in 2016/17 when the War Memorial Dumbarton and the Halkett Memorial Dumbarton Trust funds were fully dispersed, following approval by trustees.</p> <p>No tangible benefit is being derived from the trust funds.</p>	<ul style="list-style-type: none"> Continue to liaise with officers and monitor the activity of the trust funds. Comment in ISA 260. 	<p>While the majority of the trusts remain dormant, there has been movement in two:</p> <ul style="list-style-type: none"> Dr AK Glen - one grant was awarded in 2018/19 totalling £864 Alexander Cameron Bequest - eight grants were awarded in 2018/19 totalling £29,640 <p>See recommendation CH2 in appendix 1, action plan.</p>

Appendix 3

Summary of national performance reports 2018/19

 2018/19 Reports		
Local government in Scotland: Challenges and performance 2018		Apr
Councils' use of arm's-length organisations		May
Scotland's colleges 2018		Jun
		Jul
		
Forth Replacement Crossing		Aug
		
Children and young people's mental health		Sept
		
NHS in Scotland 2018		Oct
Health and social care integration: update on progress		Nov
		
		Dec
		Jan
		Feb
		Mar
		Local government in Scotland: Challenges and performance 2019

Local government relevant reports

[*Local government in Scotland: Challenges and performance 2018*](#) – April 2018

[*Councils' use of arm's-length organisations*](#) – May 2018

[*Health and social care integration: update on progress*](#) – November 2018

[*Local government in Scotland: Financial overview 2017/18*](#) – November 2018

[*Local government in Scotland: Challenges and performance 2019*](#) – March 2019

West Dunbartonshire Council

2018/19 Annual Audit Report

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Audit Committee – 25 September 2019

Audit of West Dunbartonshire Council and the registered charities administered by the council 2018/19 annual accounts

Independent auditor's report

1. Our audit work on the 2018/19 annual accounts of West Dunbartonshire Council and the registered charities administered by the council is now complete. Subject to receipt of revised annual accounts for final review, we anticipate being able to issue unqualified and unmodified independent auditor's reports on 25 September 2019 (the proposed reports are attached at [Appendix A](#) and [Appendix C](#)).

Annual audit report

2. We also present for your consideration our proposed annual audit report on the 2018/19 audit. International Standard on Auditing (UK) 260 (Communication with those charged with governance) requires external auditors to report specific matters arising from the audit of the annual accounts to those charged with governance in sufficient time to enable appropriate action. Within the proposed annual audit report the section headed "Significant findings" (pages 9-11) sets out the issues we consider should be drawn to your attention in accordance with ISA 260. Our report also includes the findings from our "Audit of registered charities administered by the council" (page 15).
3. The annual audit report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This annual audit report will be issued in its final form after the audited annual accounts have been authorised for issue and the independent auditor's report has been certified.

Unadjusted misstatements

5. We are required to report to those charged with governance, all unadjusted misstatements, other than those of a trivial nature and request that they be corrected. We can confirm that all such monetary errors identified from our audit have been corrected in the financial statements by management.

Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Audit Committee we also seek confirmation that we have been informed of:
 - instances of any actual, suspected or alleged fraud;
 - events that have occurred since 31 March 2019 which could have a significant impact on the annual accounts;
 - any instances of material non-compliance with legislation and regulations.

Representations from management

7. International Standard on Auditing (UK and Ireland) 580 (Management representations) requires auditors to obtain evidence on certain matters from management. Accordingly, as part of the completion of our audit we seek written assurances from the Strategic Lead – Resources on aspects of the financial statements and judgements and estimates made.
8. Draft letters of representation in respect of the council and the trusts registered as charities are attached at **Appendix B** and **Appendix D**. These should be reviewed for accuracy and any proposed amendment discussed with us. Once satisfied, the letter should be signed and returned by the Strategic Lead - Resources with the signed annual accounts.

Acknowledgement

9. We would like to thank all management and staff for their cooperation and assistance during the audit.

APPENDIX A: Proposed Independent Auditor's Report for West Dunbartonshire Council

Independent auditor's report to the members of West Dunbartonshire Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of West Dunbartonshire Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, the Non Domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Lead - Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I have identified and my conclusions thereon.

Responsibilities of the Strategic Lead - Resources and West Dunbartonshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Strategic Lead - Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Strategic Lead - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Lead - Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Strategic Lead - Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2019

APPENDIX B: Template Letter of Representation (ISA 580) for West Dunbartonshire Council

Fiona Mitchell-Knight
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

25 September 2019

Dear Fiona

West Dunbartonshire Council Annual Accounts 2018/19

1. This representation letter is provided about your audit of the annual accounts of West Dunbartonshire Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of West Dunbartonshire Council's annual accounts for the year ended 31 March 2019.

General

3. West Dunbartonshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by West Dunbartonshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the West Dunbartonshire Council and its Group at 31 March 2019 and the transactions for 2018/19.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to West Dunbartonshire Council's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed West Dunbartonshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on West Dunbartonshire Council's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2019 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2019 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2019.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2019 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in the 2018/19 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2019. Where the effect of

the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2019 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2019 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for West Dunbartonshire Council have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 31 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and IAS 37.
22. With specific reference to equal pay claims I can confirm that it is not possible to quantify the contingent liability.

Fraud

23. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

24. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

25. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 accounting code. I have made available to you the identity of all the West Dunbartonshire Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

26. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

27. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

28. I confirm that the West Dunbartonshire Council has undertaken a review of the system of internal control during 2018/19 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
29. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2019, which require to be reflected.

Group Accounts

30. I have identified all the other entities in which West Dunbartonshire Council has a material interest and have classified and accounted for them in accordance with the 2018/19 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

31. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Stephen West
Strategic Lead - Resources

APPENDIX C: Proposed Independent Auditor's Report for registered charities administered by West Dunbartonshire Council

Independent auditor's report to the trustees of Dr A K Glen & West Dunbartonshire Trust Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Dr A K Glen & West Dunbartonshire Trust Funds for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments Account, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2019 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charities, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not

express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith CPFA
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September

Richard Smith is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX D: Template Letter of Representation (ISA 580) for registered charities administered by West Dunbartonshire Council

Richard Smith
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

25 September 2019

Dear Richard

Charitable Trusts administered by West Dunbartonshire Council - Annual Accounts 2018/19 - Dr A K Glen Trust (Registered Charity SC018701) and West Dunbartonshire Trust Funds (Registered Charity SC025070)

1. This representation letter is provided in connection with your audit of the financial statements of the registered charities listed above for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements properly presents the financial position of each of these registered charities as at 31 March 2019 and their receipts and payments for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts, the following representations given to you in connection with your audit for the year ended 31 March 2019.

General

3. I acknowledge my responsibility and that of West Dunbartonshire Council, as the administering authority, for the preparation of the financial statements on behalf of the trustees. All of the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered charitable trusts have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. I confirm that the accounts of the charities submitted for audit are the only trusts which fall to be audited under the provisions of the Local Government (Scotland) Act 1973.
5. The information given in the Trustees Reports presents a balanced picture of each charity and is consistent with the financial statements.
6. I confirm that there are no uncorrected misstatements.

Financial reporting framework

7. The financial statements have been prepared in accordance with the requirements of Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements. The financial statements also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 and guidance issued by the Office of the Scottish Charity Regulator (OSCR).
8. Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each charity for the year ended 31 March 2019.

Accounting policies

9. The financial statements have been prepared on receipts and payments basis in accordance with applicable regulations and the founding documents of each charitable trust.

Going Concern

10. A number of the trusts have been dormant in recent years. The Trustees have assessed the ability of the registered charitable trust to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

Related party transactions

11. There were no related party transactions with any party other than West Dunbartonshire Council as administering agent.

Events subsequent to the balance sheet date

12. There have been no material events since the date of the statement of balances which necessitate revision of the figures in the financial statements or notes thereto, including contingent assets and liabilities.
13. Since the date of the statement of balances no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate governance

14. The business of the charitable trusts is recorded in the systems of West Dunbartonshire Council. As section 95 officer for West Dunbartonshire Council, I confirm that there are no issues or deficiencies in internal control that require to be disclosed within the financial statements of the charitable trusts.

Fraud

15. I have considered the risk that the financial statements may be materially misstated as a result of fraud or irregularity. There have been no actual or alleged frauds or irregularities involving trustees or staff of West Dunbartonshire Council that could affect the financial statements of the charitable trusts.

Assets

16. The cash fund and investments shown in the statement of balances at 31 March 2019 were owned by the charities. Assets are free from any lien, encumbrance or charge. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.

Yours sincerely

Stephen West

Strategic Lead - Resources, West Dunbartonshire Council, for and on behalf of the trustees of the charities administered by West Dunbartonshire Council.

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

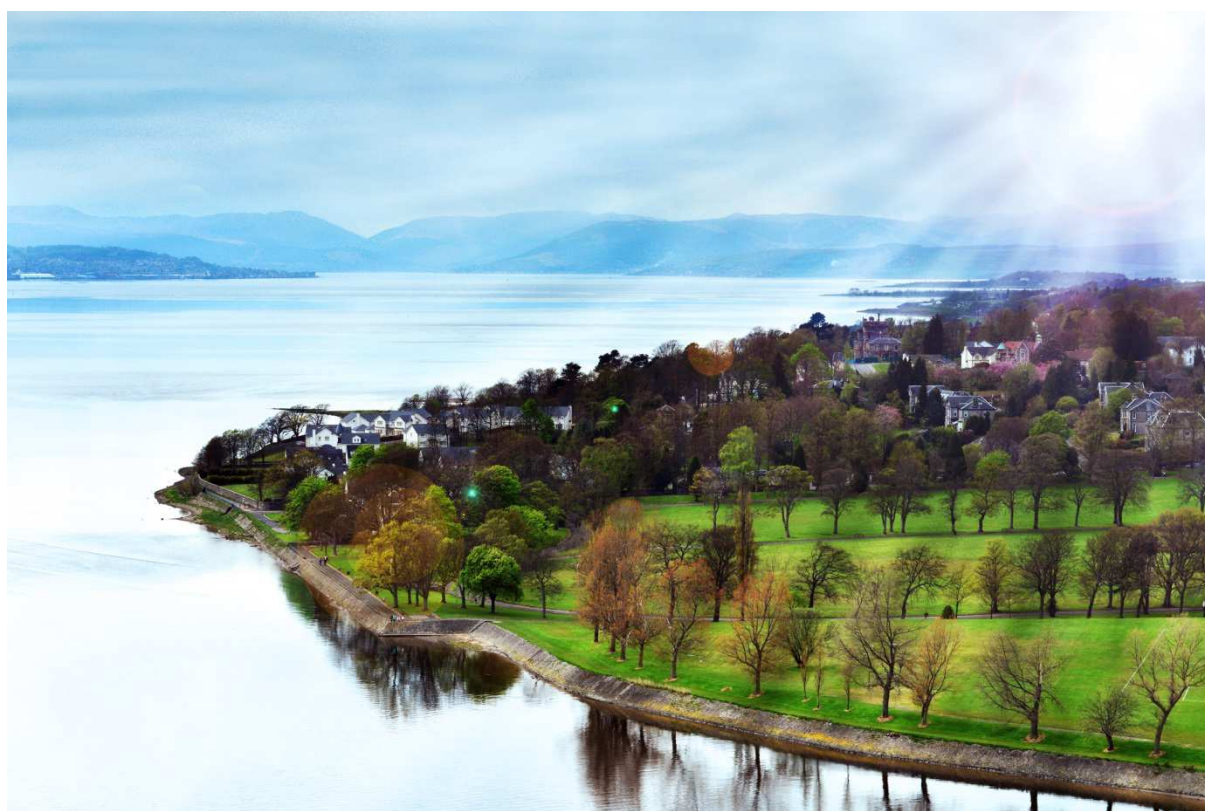


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Management Commentary

1. Introduction

The purpose of this Management Commentary is to inform all users of these Financial Statements and help them assess how the council has performed its duty to promote the success of the council. It aims to provide clear information about the council's performance during the financial year 2018/19 and the financial position as at the financial year end 31 March 2019. The Management Commentary is intended to give an easy to understand guide to the most significant matters of the Council's business during the year - including progress against key performance indicators, a description of the principal risks and uncertainties facing the council and the likely impact of the actions to mitigate these risks. In addition, it provides some detail on the council's future plans.

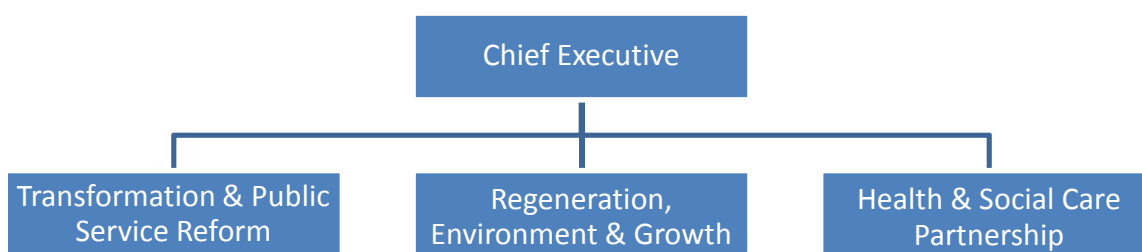
The council

Following local government reorganisation in Scotland, under the Local Government (Scotland) Act 1994, West Dunbartonshire Council was established in 1996. It is an average sized Council in Scotland at around 71 square miles and has many strengths; including significant sites of natural beauty and heritage, good transport links and close proximity to Glasgow and its airport. The area has a rich past, shaped by its world-famous shipyards along the Clyde, and boasts many attractions ranging from the iconic Dumbarton Rock and the Titan Crane, to the beauty of Loch Lomond.

The Council is responsible for providing a wide range of local authority services (including education, housing, environmental health, environmental services, planning, economic development, employment, highways and transport) to residents within the West Dunbartonshire area.

Excluding casual staff, the council employed (as at 1st April 2019) a headcount of 5,734 employees (or 4,729 full time equivalent employees). These figures comprise a combination of permanent and fixed-term employees as well as apprentices, serving a population of approximately 89,130 (1.7% of overall Scotland population) from the 2018 mid-year estimates – a reduction from 89,610 from the 2017 figures, being a year-on-year reduction of 0.5% compared to a Scottish average of a 0.2% increase. The council is generally accepted to suffer from economic deprivation, for example, the percentage of total population who are income deprived is 22% (Scotland 16%); the percentage of economically active people at a working age in employment is 71.5% (Scotland 74.3%); and life expectancy at birth is 75 years (males) and 79.1 years (females) (Scotland 77 years (male) and 81.1 years (female)).

The Council is led by 22 councillors, elected every five years to represent the residents within the area. Following the Local Government elections in May 2017, the Council has a minority SNP administration with Councillor Jonathan McColl as its Leader. The senior management structure consists of the Chief Executive, Joyce White, with two Strategic Directors and eight Strategic Leads, including the Section 95 Officer (Strategic Lead - Resources), with the Integration Joint Board (referred to as Health and Social Care Partnership or HSCP) being managed at a senior level by the Chief Officer (Beth Culshaw) and four Heads of Service. The council has one Arms' Length Organisation – West Dunbartonshire Leisure Trust – which operates certain services on the council's behalf. The council also owns a regeneration company: Clydebank Property Company.



Management Commentary (Cont'd)

2. The Strategic Plan

Nationally, the Scottish Government sets out its joint priorities and local authorities, together with their community planning partners agree a planned approach aligned to these through the Local Outcome Improvement Plan (LOIP). The council's LOIP, covering the period from 2017 to 2027, feeds through into its Strategic Plan. Within the council's 2017 to 2022 Strategic Plan, the council committed to improving outcomes in key areas in order to deliver on its vision that:

West Dunbartonshire Council will deliver high quality services, led by priorities identified by the communities of West Dunbartonshire, in an open and transparent way

Supporting the Strategic Plan and following the implementation of the new management structure at the start of 2016/17 each Strategic Lead has developed service Delivery Plans, each highlighting priorities and objectives which are set out and designed to support the delivery of the council's Strategic objectives. These plans are refreshed annually and progress reported to relevant Committees every 6 months. On 1 July 2015 the HSCP was formed and generated its own Strategic Plan, linked to the council's and to the LOIP.

The Strategic Plan identified 5 priorities aligned to the council's vision, as follows:

- A strong local economy and improved job opportunities;
- Supporting individuals, families and carers living independently and with dignity;
- Meaningful engagement with active, empowered and informed citizens who feel safe and engaged;
- Open, accountable & accessible local government; and
- Efficient and effective frontline services that improve the everyday lives of residents.

Performance Reporting

The council monitors and reports its performance against these priorities through the Strategic Plan Scorecard (SPS); where planned performance targets are monitored through a suite of key performance indicators. Performance is reported to Council and Committees for scrutiny and identification of any required remedial action. The council also publishes an annual Public Performance Report which provides residents with a summary of progress being made.

In conjunction with this internal SPS, the council (together with all Scottish local authorities) measures a common set of performance indicators called the Local Government Benchmarking Framework. Using the same indicators across all councils allows comparisons of performance, identification of best practice and enables councils to learn from each other. Full details of the most up to date performance information are available on the council's website at:

www.west-dunbarton.gov.uk/council/performance-and-spending/

The Council's Budgets in 2018/19

The Council approved the 2018/19 budget on 5 March 2018 based on a band D council tax at £1,198. The revenue budget was set at £214.183m (as detailed in the following table) to be funded by Scottish Government Grant (£180.742m); council tax (£33.448m), with a net contribution to reserves of £0.008m.

Management Commentary (Cont'd)

2. The Strategic Plan (Cont'd)

Service Area	Budget (£m)
Corporate Services	18.720
Education	88.436
Infrastructure, Regeneration & Economic Development	24.971
Housing and Employability	2.516
Health & Social Care Partnership	63.422
Loan charges	10.609
Other	5.509
Total	214.183

The budget was subsequently updated during the year for a number of variables, resulting in an increase in net expenditure to £214.523m. The resulting year end budgetary position is detailed on page 6 of this commentary.

Council also approved the revised capital plan with a planned spend in 2018/19 for General Services of £75.082m, prior to some 2017/18 re-phased capital and in-year additional projects being included. This investment to be funded from a range of sources including: government grants and the council's ongoing revenue support. Major areas of investment included economic regeneration, schools refurbishment and new build, roads and infrastructure and a range of other council assets.

Council also approved the Housing Revenue Account budget and agreed council house rents at the meeting on 5 March 2018 increasing the rent by 2% and a capital investment for 2018/19 of £31.726m, prior to some 2017/18 re-phased capital being included. The resulting year end budgetary position is detailed on page 8 of this commentary.

3. Overview of Core Financial Statements

The Statement of Accounts contains the Financial Statements of the council and its group for the year ended 31 March 2019. The council operates two main Funds in running its services:

1. The General Fund - for all expenditure and income associated with running of all council services except the provision of council houses. This fund is funded mainly from Scottish Government grant and council tax; and
2. The Housing Revenue Account - all expenditure and income associated with the provision of council housing and is funded primarily through rental income from tenants.

The Financial Statements comply with the Code of Practice on Local Authority Accounting in United Kingdom. Two major categories of expenditure are included in the financial statements, as follows:

1. Revenue expenditure - represents the day to day running costs incurred to provide services; and
2. Capital expenditure - is the cost of buying, constructing and improving the assets which the council uses to provide services.

Revenue expenditure is recorded in a number of the main statements in these accounts with the purposes of these main statements being as follows:

- **the Comprehensive Income and Expenditure Statement** - shows the income and expenditure for all council services. It is shown on page 36;
- **the Movement in Reserves Statement** - shows how the Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the General Fund for the year. It also highlights movement on all other reserves held on the council's Balance Sheet (including the Housing Revenue Account). It is shown on page 37. Further information on each of the reserves held and how it may be used is also detailed within notes 29 and 30 on pages 83 and 84; and

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

- **the Housing Revenue Account** - shows the income and expenditure for council housing services for the year. It is shown on pages 89 to 91 which also includes the Statement of Movement on the Housing Revenue Account Balance.
- **Capital expenditure** is analysed in note 19 on pages 70 and 71 which details the capital expenditure and the sources of finance that have been used to fund the capital plan investment in 2018/19.
- **the Balance Sheet** on page 38 summarises the assets and liabilities of the council. It is a statement of the resources of the council and the means by which they have been financed. It is also a report on the council's financial position at one particular point in time, a snapshot of its financial affairs at the close of the year expressed in accounting terms.
- **the Cash Flow Statement** on page 39 shows the inflows and outflows of cash arising from transactions with third parties on both day to day revenue transactions and on capital activities. Cash is defined for the purpose of the statement as cash-in-hand and deposits repayable on demand less overdrafts repayable on demand.
- **Notes to the Core Financial Statements** are provided on pages 40 to 88 which give further information and analysis relevant to each statement, with the main accounting policies detailed on pages 104 to 118.

Comprehensive Income and Expenditure Statement

General Fund

This account covers the day to day operational income and expenditure for each service of the council and is now reported in line with the council's committee structure. There have been presentational changes to the Statement during 2018/19 - including to the council's committee reporting structure and note 1 on page 40 details the effect of these changes to the 2017/18 comparative figures within the Statement.

Income from council tax, non-domestic rates, capital and revenue support grants was £237.630m with a net expenditure on services for the year of £254.940m (shown on page 36 - Net Cost of Services).

Due to tight financial control over service spending, the council was able to return an in year surplus from services of £0.675m against budget (2017/18 £0.351m surplus). Many of the favourable variances (particularly within Corporate Services and Infrastructure, Regeneration and Economic development service areas) are due to specific management action in areas such as: control of vacancies and staff cover; general process and efficiency review; specific restructuring of service delivery; spending control; and implementation of agreed savings targets. There are also favourable variances within lower than expected loan charges and higher than anticipated council tax income. Although, there is an element of demand led favourable variances, the level of favourable variance has been partially offset due spend pressures, particularly within Additional Specialist Needs and Secondary Schools within Educational Services.

The council's in-year collection of council tax increased from 95.41% in 2017/18 to 95.55% in 2018/19. Uncollected council tax is pursued for collection after the end of the financial year.

After taking account of the decrease in general earmarked balances since 31 March 2018 (£0.501m), the net commitment to future budgets (£0.151m) and the in-year budgetary position (£0.675m), the overall surplus for the year was £0.023m. This is added to the brought forward balance from the previous year (£10.975m), resulting in an accumulated surplus at 31 March 2019 of £10.998m (as shown on page 37). This includes an earmarked amount of £6.170m leaving £4.828m available for future use. Of the earmarked balance £2.649m is set aside for the council's Change Fund and £0.862m remains of the Apprenticeship Fund.

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

This un-earmarked balance compares with that of £4.304m as at 31 March 2018 and shows that the un-earmarked reserve position has increased by £0.524m during the year. The council's Prudential Reserves Policy is to retain a prudential reserve of 2% of net expenditure (excluding requisitions to Valuation, SPT, etc.) in order to safeguard assets and services against financial risk. The current target prudential reserves level for the General Fund is £4.192m and the position at financial year end exceeds this level of reserve by £0.636m. The General Fund's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use.

	Original Budget £000	Revised Budget £000	Spend Against Budget £000	Variance £000	£000
Total General Services Reserves Held as at 31/3/18					(10,975)
Corporate Services	18,720	20,942	20,228	(714)	
Education	88,436	89,709	90,456	747	
Infrastructure, Regeneration & Economic Development	24,971	23,605	23,401	(204)	
Housing and Employability	2,516	2,914	3,599	685	
Health & Social Care Partnership	63,422	64,318	64,318	0	
Loan charges	10,609	10,609	10,219	(390)	
Other	5,509	2,426	1,917	(509)	
Total Expenditure (1)	214,183	214,523	214,138	(385)	
Council Tax	(33,448)	(33,448)	(33,805)	(357)	
Revenue Support Grant/ NDR	(180,742)	(180,931)	(180,864)	67	
Use of Reserves	7	(144)	(144)	0	
Total Income (2)	(214,183)	(214,523)	(214,813)	(290)	
Net Budgetary Control Position (3) = (1) = (2)				(675)	
In year use of free reserves				151	
Net movement in Earmarked balances				501	
Movement in Reserves from 1/04/18 to 31/03/19					(23)
Total General Services Reserves Held as at 31/3/19					(10,998)
Net decrease in the Movement in Reserves before transfer to Statutory Reserves					3,472
Transfer from statutory reserves					(3,495)
					(23)

The movement of £0.023m noted above reflects the in-year movement in the General Fund balance (i.e. opening balance 1 April 2018 of £10.975m and the closing balance as at 31 March 2019 of £10.998m) and is further detailed within the Movement in Reserves Statement on page 37. The following table sets out a reconciliation of the deficit on the provision of services within the Comprehensive Income and Expenditure Statement (page 36) of £41.639m to the revenue budgetary outturn of £0.675m.

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

	£000	£000
Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement		41,639
<u>Removal of statutory adjustments not included in budget outturn (note 4):</u>		
Reversal of entries included in the surplus/ deficit on the provision of services in relation to capital expenditure (including depreciation and impairment)	(27,150)	
CFCR	13,349	
Pension adjustment	(29,553)	
Statutory repayment of debt	14,025	
Transfer to other statutory reserves	(41)	
Net gain / loss on sale of non current assets	(3,362)	
Other adjustments	8	(32,724)
Deficit on Provision of Services in Note 14 - Expenditure and Funding Analysis		8,915
<u>Adjust for movements to/from other statutory reserves</u>		
HRA reserve	(5,443)	
Other reserves	(3,495)	(8,938)
Movement in General Fund Balance		(23)
<u>Adjustments for earmarked funds:</u>		
Net Commitment to in-year budget*	(151)	
Release of earmarked sums	(501)	(652)
Net General Fund budgetary control position 2018/19		(675)
* Made up of:		
Reversal of saving - greenspace (net position)		(81)
Reversal of saving - Trade Union Official		(50)
Additional commitment - Havoc (Work Connect)		(20)
		(151)

Housing Revenue Account (HRA)

By law the council has to maintain a separate account for the running and management of its housing stock. The number of units owned by the council at 31 March 2019 was 10,397 compared to 10,457 at 31 March 2018. The movement is detailed in the table below:

Opening house numbers	10,457
Disposals	(70)
Demolitions	(25)
Buy back	7
New builds	28
Closing house numbers	10,397

Following the impact of earmarked balances, the account shows an overall surplus for the year of £0.256m. In line with the prudential reserves policy (2% of expenditure), the target reserves level for the Housing Revenue Account for 2018/19 is £0.850m. Taking account of the in-year surplus (£0.256m) the brought forward balance from the previous year £7.422m and taking account of earmarked amounts used in-year (£6.072m of earmarked balances used as an additional contribution to fund capital expenditure) the balance available to the HRA for future use is £1.606m, (made up of earmarked reserves of £0.756m and free reserves of £0.850m). The HRA prudential target remains at £0.850m. The HRA's budgetary performance for the year is summarised in the following table. The table also highlights how the in-year surplus affects the overall reserves balance held for future use. Further information is noted on pages 89 to 91.

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

	Budget £000	Spend Against Budget £000	Variance £000	£000
Total HRA Reserves Held as at 31/3/18				(7,422)
Total Expenditure	42,508	48,169	5,661	
Total Income	(42,508)	(48,425)	(5,917)	
Net Budgetary Control Position			(256)	
Net transfer from earmarked balances			6,072	
Movement in Reserves from 1/04/18 to 31/03/19				5,816
Total HRA Reserves Held as at 31/3/19				(1,606)

The net budgetary position on the HRA Statement noted above of £0.256m compares to the surplus noted within the HRA Income and Expenditure Statement (page 90) is detailed below:

	£000	£000
(Surplus)/Deficit for the year on HRA Services		(3,395)
<u>HRA Movement in Reserves (as noted on page 89)</u>		
Adjustments to the revenue resource	(8,196)	
Adjustments between Revenue and Capital Resources	17,034	
Transfers (to)/from Other Statutory Reserves	373	9,211
Movement in the HRA Reserve		5,816
<u>Adjustments for earmarked funds:</u>		
Use of earmarked sums		(6,072)
Net General Fund budgetary control position 2018/19		(256)
 HRA reserve as at 1 April 2018		 (7,422)
Use of earmarked sums		6,072
Transfer of surplus to reserves		(256)
HRA reserve as at 31 March 2019		(1,606)

Spend relating to the net budget position of £0.256m surplus is included within note 14 (Expenditure and Funding Analysis) on page 60.

Reserves

As at 31 March 2019, the usable reserves currently held by the council are noted below, with further information on the future use of such reserves detailed within notes 29 and 30 on pages 83 and 84.

	General Services £000	HRA £000	Total £000
Unearmarked Reserve	4,828	850	5,678
Earmarked Reserve	6,170	756	6,926
Total Revenue Reserve	10,998	1,606	12,604
Capital Receipts Reserve	0	0	0
Capital Grants Unapplied	278	0	278
Capital Reserve	2,847	0	2,847
Other Reserves	362	0	362
Total Usable Reserves	14,485	1,606	16,091
 Prudential Target	 4,192	 850	

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

Provisions

The council currently has two provisions held on its Balance Sheet, with a total value of £0.351m which are held for potential equal pay claims being awarded against the council and for costs associated with Voluntary Early Retirement/ Voluntary Severance (see Note 28 on page 83).

Cash Flow Statement

The council's cash flow statement shows a decrease of cash and cash equivalents of £9.597m during 2018/19 (see page 39) mainly as a result of additional borrowing to fund the council's capital programme which purchases, builds or enhances the non-current assets.

Trading Operations

The council maintains separate accounts for two statutory trading operations under the provisions of the Local Government Scotland Act 2003:

1. Housing Property Maintenance; and
2. Grounds Maintenance and Street Cleaning.

These two operations returned a total collective surplus of £3.234m. Both operations have achieved a break even performance over the last three years, consistent with their statutory requirements. Further details are provided in note 6 on page 49.

Balance Sheet

The Balance Sheet on page 38 shows that during 2018/19, the net assets have decreased by £55.777m (from £246.755m to £190.978m). The main movement is due to the increase in the pension liability of £79.016m which is explained further below. There has also been movement within non-current assets and borrowing, in line with the spend and funding agreed within the capital plan.

Pension Assets and Liabilities

The Balance Sheet shown on page 38 shows an assessed pension fund liability of £205.215m based on a snapshot valuation of the fund at 31 March 2019. Further information on the pension fund is provided in note 12 on pages 54 to 60. The valuation states that assets held at the valuation date were sufficient to cover 80.1% of accrued liabilities (86.05% in 2017/18).

The pension scheme liability has increased by £79.016m as advised by the appointed actuaries, and this is mainly as a result of the movement in the discount rate and the impact of some recent legal rulings within UK courts (in this case the McCloud/Sargeant ruling and the Guaranteed Minimum Pension (GMP) indexation). The appointed actuaries remain of the view that the asset holdings of Strathclyde Pension Scheme and the contributions from employees and employers together with planned recent increases in employers' contributions provide sufficient security and future income to meet future pension liabilities.

Non-Current Assets

The council owns a number of different types of assets, as listed in the Balance Sheet. These assets are used for ongoing and future service delivery provided by the council to its citizens. The remit for the council's Strategic Asset Management Group is to ensure the most efficient use of these assets in pursuit of the council's strategic priorities. The Group manages this through ongoing review of the overarching Strategic Asset Management Plan, which is then supported by a number of individual Asset Management Plans (including properties, infrastructure, vehicles and equipment, etc.).

The overarching Strategic Asset Management Plan was refreshed during 2016/17 and underlying individual plans were refreshed between 2016/17 and 2018/19.

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

The council requires to assess the value of assets held based on current market conditions, while in the current year particular assets have increased in value by £57.339m. At the same time, impairment and downward revaluations have reduced the value of other assets held by the council by £40.761m, resulting in a net increase in value of £16.578m. These movements adjust either the revaluation reserve in the Balance Sheet or are included within the Net Cost of Service within the Income and Expenditure Statement, depending on the history of the asset.

Borrowing

The council's Treasury Strategy for 2018/19 was agreed by the Council on 5 March 2018. The council raised new long term loans of £0.331m (2017/18 £45.000m) and short term loans of £201.006m (2017/18 £153.200m) and repaid naturally maturing debt of £185.258m (2017/18 £152.432m). The total outstanding long term debt (excluding PPP debt) as at 31 March 2019 was £231.084m (2017/18 £260.000m) including £102.024m (2017/18 £119.343m) for the council's housing stock. The total outstanding short term debt was £214.371m (2017/18 £169.621m), including £94.645m (2017/18 £77.859m) for the housing stock. The interest and expenses rate charged by the council's loans fund was 2.78% (3.07% in 2017/18). Due to the current interest rates, the Council has followed a strategy to maximise the benefit in short term borrowing to fund capital expenditure.

The 10 year capital plan and the council's Treasury Management Strategy 2018/19 were agreed by Council on 5 March 2018. These agreed plans highlight the projected capital spend and it's required resourcing. Also detailed is the impact on the council's ongoing revenue finance and borrowing levels which the council has committed to, through its Capital Plans. The council's revenue budget is agreed following the consideration and approval of the Capital Plan.

Capital Finance

The council is able to regulate its own capital spending limits within the framework recommended by the Chartered Institute of Public Finance and Accountancy and endorsed by the Scottish Government. The necessary treasury indicators and safeguards have been approved by Council and have resulted in increases to both the General Services and Housing capital programmes for 2018/19 and beyond. Details of the capital expenditure and financing are shown in note 19 on pages 70 and 71. Total gross capital expenditure amounted to £72.197m the split between General Services and HRA is noted in the table below.

The main capital projects progressed during 2018/19 were:

General Services

Office Rationalisation
Clydebank Community Sports Hub
Upgrade to Clydebank Library
Levenvale Primary School All Weather Pitch
Depot Upgrades

HRA

Void Housing Strategy Programme
Building external component renewals
Environmental Renewal Works
Targeted EESSH compliance works
Affordable Housing Supply Programme

During 2018/19, the council had budgeted capital expenditure of £117.183m with an actual in year spend of £72.197m. The unspent amount (£44.986m) includes overspends, underspends and slippage, as noted within the table below. The total slippage on planned spend was £48.010m – 40.97% of the overall capital programme which is summarised in the following table:

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

	Original Budget £000	Actual Spend £000	Variance £000	Overspend £000	Underspend £000	Slippage £000
Service						
Corporate Services	2,424	1,642	(782)	260	(37)	(1,005)
Education	6,165	2,858	(3,307)	709	(210)	(3,806)
Infrastructure, Regeneration and Development	62,756	38,420	(24,336)	336	(951)	(23,721)
Housing and Communities	895	350	(545)	70	0	(615)
Miscellaneous Services	2,682	3,100	418	658	(240)	0
Health and Social Care Partnership	8,855	3,207	(5,648)	684	(684)	(5,648)
General Services	83,777	49,577	(34,200)	2,717	(2,122)	(34,795)
HRA	33,406	22,620	(10,786)	2,979	(550)	(13,215)
Total	117,183	72,197	(44,986)	5,696	(2,672)	(48,010)

The majority of the slippage has occurred within a small number of larger capital projects and is mainly due to the timing of starting individual projects, for various reasons, not all within council control, and the delayed spend on these projects moved into capital budgets for 2019/20 onwards. The most significant slippage was experienced against the following projects:

General Services		Slippage Value £000
Queens Quay Regeneration	Although the project has shown progress, there remain some delays resulting from complex design solutions.	4,279
Replacement of elderly care home (Clydebank)	This project links to the Queens Quay regeneration project and its delay.	5,623
Vehicle Replacement	Due to the vehicle build and delivery lead time associated with the HGV's, RCV's & Passenger Buses and the delivery lead time from the date of supply order placement for Light Commercial Vehicles and Cars, delivery and receipt of the 2018/19 scheduled replacement vehicles will be delayed to 2019/20.	4,046
Posties Park Sports Hub	Delay due to poor ground conditions and discovery of asbestos on site.	1,742
Early Years Early Learning and Childcare	Delayed whilst discussions with Care Inspectorate and Scottish Government were ongoing regarding requirement in relation to provision of service.	2,977
Regeneration/ Local Economic Development	Complex nature of projects included within budget has delayed progress.	2,319
Building Upgrades	Prioritisation of resources has resulted in higher than expected slippage to 2019/20.	988
HRA		
New house build	Delays in the appointment of the main contractor, planning requirements and site transfer completions.	7,899
Projects to deliver housing policies/strategies (Buy Backs)	Any Buy Back purchase is subject to stringent criteria to ensure accountability and value for money for existing tenants and involves several key stakeholders which resulted in slippage.	813
EESH compliance work	Additional time require to finalise specification requirements and for the contractor to set up on site.	2,180

Management Commentary (Cont'd)

3. Overview of Core Financial Statements (Cont'd)

Public Private Partnership and other Long Term Liabilities

The council entered into a public private partnership for the provision of three new community learning centres and a primary school. The agreement provides the council with replacement buildings for three secondary schools which were handed over in 2009/10 with the primary school handed over during 2011/12. In accordance with statutory accounting guidance, full details of the agreement is provided within note 21 on pages 71 to 72.

On 31 March 2016, the council entered into a 25 year 'Design, Build, Finance and Maintain' (DBFM) arrangement with the Scottish Government via the Scottish Futures Trust, for the provision of a further new secondary school. The school was handed over for use by the council during 2017/18.

Group Accounts

Local authorities are required to prepare group accounts in addition to their own Financial Statements where they have material interest in other organisations. The group accounts on pages 94 to 103 consolidate the council's Financial Statements, the Common Good and Trust Funds and six other entities (including two further subsidiaries – West Dunbartonshire Leisure Trust and Clydebank Property Company). The effect of combining these entities on the Group Balances Sheet is to increase reserves and net assets by £24.788m creating an overall net asset of £215.766m. This includes the combined pension liability of these organisations similar to that of the council. As there is no reason to suggest the future funding to these organisations will not continue, the accounts have been prepared on a going concern basis.

4. The Financial Outlook, Key Risks and the Future

In setting the budget for 2018/19, the council faced a number of significant financial pressures resulting from reducing central government funding, inflationary and service demand increases and the ongoing impact of the economic position and welfare reform.

The council's Financial Strategy published in November 2018 highlighted that the pressure on public finances is expected to continue for the next 5 years. Local Government is not one of the "protected" spend areas within the Scottish Government's budget, which means it is likely that ongoing real terms funding reductions will be experienced.

At the same time demand for services is expected to continue to increase, driven by demographic change and policy pressures. The Scottish Government settlement for 2019/20 was a further one year settlement though the settlement was better than had been anticipated, particularly as a result of additional funds allocated by the Scottish Government in getting the budget through Parliament. It is not clear, due to single year settlement and lack of clarity around the approval of the 2019/20 settlement how the 2019/20 settlement will translate into future years.

The council has agreed a Long Term Financial Strategy which is reviewed annually and provides some detailed analysis of issues for the next three financial years and some potential higher level issues and risks over the next 10 years. The financial strategy aims to allow the council to plan ahead and take appropriate action to maintain budgets within expected levels of funding.

The council refreshed the Long Term Financial Strategy in November 2018 and in setting the council budget for 2019/20 in March 2019. Following the setting of the budget in March 2019, the projections have identified current expected gaps of £9.816m in 2020/21 and a further £7.114m for 2021/22. The strategy will be reviewed by council later in 2019 and in setting the budget for 2020/21.

At the Council meeting on 27 March 2019, the General Fund capital plan was agreed and at Council on 14 February 2019 the HRA capital plan was agreed, as was the HRA budget for 2019/20. The capital plans approved included funding for a number of projects over the next three years and the revenue impact of these investments will be built into future revenue plans.

Management Commentary (Cont'd)

4. The Financial Outlook, Key Risks and the Future (cont'd)

Management of Risk

The main financial risks identified by the council over the medium and long term are highlighted within the council's Long Term Financial Strategy and includes:

- the unknown position from the national government on funding for future years particularly given the ongoing and projected continued decline in council population and the likelihood of continued austerity measures;
- the impact on the welfare reform agenda, with Universal Credit being implemented in the council area from November 2018;
- changing demands and needs for council services (particularly in relation to older people); and
- council also plans major investment in a number of significant capital projects which will change the way in which some services are delivered and are partially funded through projected revenue savings – there is a risk that expected savings are not achieved.

The Annual Governance Statement, shown on pages 18 to 26, details the arrangements the council has put in place for the proper governance of the council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvements actions to the governance framework identified from the council's ongoing review of these arrangements.

Risks are identified with actions to minimise and/or mitigate those risks (where possible) through the council's performance monitoring system (pentana), which is reported to Members on a regular basis. The Scottish Government changed council tax rules for higher banded houses from 2017/18 and there is potential for further reform of local government funding and organisation over the next few years.

The Future

In recognition of the projected ongoing financial position, the council continues to identify service redesign and business transformation options and these will be reported to appropriate committees during 2019/20. Significant cost reductions have been generated through planned actions to generate savings and more efficient ways of working. A number of major projects have been underway during 2018/19 as follows:

- **Glasgow City Region City Deal** – the council, together with a number of other Scottish local authorities, is participating in the Glasgow Region City Deal which will see over £1.1 billion invested in the area. The City Deal consists of a number of significant capital projects across the area together with employability projects – in order to generate economic regeneration and additional jobs. The project within the City Deal specific to the council is an infrastructure project at the Exxon site at Bowling to regenerate that site and to create a relief road along the A82 at Milton. The project development is progressing with the outline business case approved during 2016/17 and the final business case due for consideration by December 2019;
- **Development of Queens Quay and District Heating** – the council, in partnership with the private sector, are funding the redevelopment of Queens Quay in Clydebank – bringing a significant former industrial site back into use. This project will be home to a new council-run care home for older people; a new medical centre run by the Greater Glasgow Health Board; around 1,000 new homes; and new commercial provision. This longer term project should support the economic development of Clydebank and is expected to generate net in-migration to West Dunbartonshire. In 2016/17 council and the Scottish Government approved the development of an innovative district heating system on this site to provide heat to all of the existing and new provision within Queens Quay and beyond. Significant physical progress commenced on these various elements of the wider regeneration project during 2018/19;

Management Commentary (Cont'd)

4. The Financial Outlook, Key Risks and the Future (cont'd)

- **UK withdrawal from the European Union** - in line with recommendations from Audit Scotland, an assessment of the risk to the council of the UK's proposed withdrawal from the European Union as originally scheduled on 29 March 2019, was carried out during 2018/19. This allowed the Corporate Management Team to conclude that the risks to the council were generally low, but not completely defined. The council has kept a watching brief on developments and reviewed the identified risks around the UK's withdrawal on an ongoing basis.
- **Strategic Programmes** – in the most recent Long Term Finance Strategy to November 2018 Council a number of potential change areas were identified. These are under consideration for development and implementation to assist close future funding gaps. Many of the previous projects are complete or near completion and senior management monitors progress on agreed efficiency projects through the Change Board and budgetary control reports provide updates on progress to Members. Where appropriate, business cases will be developed, and where required, reports will come to future Council and Committees for consideration; and
- **Council's More Homes Strategy** – plans have been approved for the council to deliver over 1,000 new affordable homes within the area over the period to 2021. This strategy is expected to produce net in-migration and regeneration, as well as provide modern affordable housing.

5. Other Information

Asset Management

The council has a significant investment embedded in assets, comprising offices, schools, vehicles, houses, ICT infrastructure and equipment, etc. and it is important that these are managed in an efficient and effective manner. The council has an overarching Asset Management Strategy which was refreshed in 2017 and underlying specific asset management plans for the main asset categories and these have all been refreshed over the last year or so. In addition an asset disposal strategy is in place to maximize the benefit from assets that the council no longer requires and this strategy is important in generating capital receipts to support elements of the capital plan.

Best Value Assurance Report

During 2017/18 the council was audited under the revised Best Value audit approach, where the auditors reviewed the council's approach to strategic planning, financial planning, workforce planning, partnership working, performance reporting and continuous improvement. The report by the Accounts Commission was published on 28 June 2018 and was positive and showed that the council had made significant progress since the previous Best Value report in 2006 and follow-up reports to 2010. Five areas for improvement were identified and progress has been made on these areas – more detail is provided within the Annual Governance Statement within these accounts.

Carbon Emissions and Energy Consumption

The council takes its responsibilities with regard to reducing the effects of climate change seriously. This is most visibly demonstrated in the drafting of its second Carbon Management Plan. The council has set a target to reduce carbon emissions, the largest contributor to climate change, from its operations by just over 15% (from a 2012/13 baseline) by 2019/20.

Equality and Diversity

The council is firmly committed to the principle of equality of opportunity. The council recognises its responsibility as a community leader, service provider and employer to encourage the fair treatment of all individuals and to tackle social exclusion. The council is also committed to eradicate all forms of discrimination, direct or indirect and aims to eliminate discriminatory practices and promote measures to combat its effects. Information on the council's Equalities Mainstreaming and Outcomes Report 2017-2021 can be found on the council website at:

<http://www.west-dunbarton.gov.uk/media/4312511/equalities-outcome-report-2017-2021.pdf>

Management Commentary (Cont'd)

5. Other Information (Cont'd)

Consultation and Communication with Workforce

The council is an accredited Living Wage Employer and has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The council carries out periodic employee surveys, the last one being undertaken in 2017, and seeks the views of the workforce through regular consultations with staff and trade unions.

Remuneration Report

This report presents information on the remuneration of senior elected members and senior officers within the council (pages 27 to 35).

Financial Performance Indicators

This commentary includes information on a set of financial performance indicators. These are aimed at providing the reader with a summary of key information.

2017/18 Outturn			2018/19 Target	2018/19 Outturn
	Housing Performance			
£0.092m	Total rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£0.107m
£394.06	Average rent owed by tenants leaving their tenancies with arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	£338.50
9.50%	Percentage of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	9.20%
937	number of current tenants owing more than 13 weeks rent, excluding those owing less than £250	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	906
8.85%	Current / former / total tenant arrears as a percentage of net rent due in year	Demonstrates the Council's effectiveness in collecting local housing rents	8.40%	8.64%
£3.468m	Amount of current/ former/ total tenant rent arrears	Demonstrates the Council's effectiveness in collecting local housing rents	n/a	3.518m
100%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the HRA has, in comparison to the agreed minimum	n/a	100%
2.00%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2.00%	2.00%
(£0.004m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	(0.014m)
97.93%	Revenue budget compared to actual outturn at year end	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	99.03%
	General Services Performance			
£8.17	Cost of collecting council tax (per dwelling)	Demonstrates the Council's effectiveness in collecting local taxation	£8.00	£5.46
15.34%	Council tax as a percentage of overall funding	Demonstrates the amount of budget raised through council tax	n/a	15.76%
95.41%	In-year council tax collection rate	Demonstrates the Council's effectiveness in collecting local taxation	95.50%	95.55%
£31.985m	Amount of income due from council tax for the year that was received	Demonstrates the Council's effectiveness in collecting local taxation	n/a	£33.157m
104%	Value of free reserves expressed as a percentage of the prudential reserve target	Demonstrates how much free reserves the GS has, in comparison to the agreed minimum	100%	115%
2.03%	Value of free reserves expressed as a percentage of the net annual budget	Demonstrates the percentage of budget covered by free reserves (2% minimum target)	2%	2.25%
(£0.759m)	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	£0.524m
99.83%	Revenue budget compared to actual outturn at year end - including top up of provisions	Demonstrates actual spend as a percentage of the planned budget (less than 100% indicates an underspend)	n/a	99.69%

Management Commentary (Cont'd)

5. Other Information (Cont'd)

2017/18 Outturn			2018/19 Target	2018/19 Outturn
	Prudence And Affordability – Capital			
5.34%	Ratio of financing costs to net revenue stream – General Services	Demonstrates how much of the General Fund revenue budget is used to support previous capital investment	4.91%	4.78%
27.54%	Ratio of financing costs to net revenue stream – HRA	Demonstrates how much of the HRA revenue budget is used to support previous capital investment	26.01%	24.41%
£514.349m	Capital Financing Requirement	The amount of planned capital expenditure not yet funded	£532.026m	£538.132m
£425.291m	External Debt Levels (excluding PPP)	The amount of external debt held by the Council. Increases due to funding of the capital programme	£451.379m	£441.370m

6. Where to find more information

In This Publication - An explanation of the Financial Statements which follow and their purpose are shown at the top of each page. The accounting policies and a glossary of terms can be found at the end of this publication and these provide an explanation of the main guidelines and terms used.

On Our Website - Further information about the council can be obtained on the council's website (www.west-dunbarton.gov.uk) or from Finance Services, 16 Church Street, Dumbarton, G82 1QL.

Conclusion

The financial results show the council's finances in a fairly healthy position and, considering the ongoing significant financial pressures being faced by the council, we have successfully managed our affairs within the budget set and the financial objectives prescribed. This is a satisfactory outcome and reflects well on both the efforts and professionalism of management, budget holders and on the council's financial management and monitoring procedures.

Acknowledgement

The production of the Annual Financial Statements is very much a team effort and I wish to record our thanks to both Finance staff and to colleagues in all services whose efforts have contributed to the completion of these Statements of Accounts.

Councillor Jonathan McColl
Leader of the Council
Date: 25 September 2019

Joyce White
Chief Executive
Date: 25 September 2019

Stephen West
Strategic Lead - Resources
Date: 25 September 2019

Statement of Responsibilities

The Authority's Responsibilities:

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Strategic Lead – Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and so far as is compatible with legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003); and
- to approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Council at its meeting on 25 September 2019.

Signed on behalf of West Dunbartonshire Council

Councillor Jonathan McColl
Leader of the Council
Date: 25 September 2019

The Strategic Lead - Resources Responsibilities:

The Strategic Lead - Resources is responsible for the preparation of the Authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Strategic Lead - Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Strategic Lead - Resources has also:

- kept adequate accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Financial Statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2019.

Stephen West
Strategic Lead - Resources
Date: 25 September 2019

Annual Governance Statement

The Annual Governance Statement explains the Council's governance arrangements as it meets the requirements of the "Code of Practice for Local Authority Accounting in the UK" (the Code) and reports on the effectiveness of its system of internal control, including the reliance placed on the governance frameworks of our partners. It is included within the Council's Financial Statements to assure stakeholders on how the council directs and controls its functions and how it relates to communities in order to enhance transparency and scrutiny of the Council's activities.

Scope of Responsibility

West Dunbartonshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003.

In discharging this overall responsibility, the council's Members and Corporate Management Team (CMT) are responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The council has established an arms-length external organisation: West Dunbartonshire Leisure Trust – to deliver leisure services more effectively on the council's behalf, which reports regularly to Elected Members. From 1 July 2015 the West Dunbartonshire Health and Social Care Partnership was established to continue the development of the integration of social care and health services between the council and NHS Greater Glasgow and Clyde.

The Council has approved and adopted a Local Code of Corporate Governance ("the Local Code"), which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework: "*Delivering Good Governance in Local Government*". The Local Code evidences the council's commitment to achieving good governance and demonstrates how it complies with the governance standards recommended by CIPFA. A copy of this Code is available from the council website at:

<http://www.west-dunbarton.gov.uk/media/4312582/wdc-local-code.pdf>

This statement explains how the council expects to comply with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements for the Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises: the systems and processes; and culture and values - by which the council is directed and controlled and through which it accounts to and engages with communities. It enables the council to monitor the achievement of the strategic objectives set out in the Strategic Plan. It enables the council to consider whether those objectives have led to the delivery of appropriate and value for money services.

The council has put in place a system of internal financial control designed to manage risk to a reasonable level. Internal controls cannot eliminate risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal financial control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of the approval of the Statement of Accounts.

The Governance Framework

The main features of our governance arrangements are described in the Local Code but are summarised below:

Annual Governance Statement (Cont'd)

The Governance Framework (cont'd)

- the overarching strategic vision and objectives of the council are detailed in the Strategic Plan 2017/22, which sets out the key priorities of the council and key outcomes the council is committed to delivering with its partners, as set out in the Local Outcome Improvement Plan;
- Services are able to demonstrate how their own activities link to the council's vision and priorities through their Delivery Plans. Performance management and monitoring of service delivery is reported through service committees regularly. The CMT monitors performance information regularly. The council regularly publishes information about its performance;
- The West Dunbartonshire Community Alliance, which supports Community Planning West Dunbartonshire, represents the views of community organisations, communities of interest and geographical communities. In addition the council has an Engaging Communities Framework in place which sets out our approach to engaging with citizens, community organisations and stakeholders. Consultation on the future vision and activities of the partnership is undertaken in a range of ways, including seeking the views of the Alliance and through specific service consultations and the council actively engages with its partners through community planning arrangements;
- The council has adopted a Code of Conduct and associated employment policies for its employees. Elected members adhere to the nationally prescribed Code of Conduct for Members in a localised format. In addition, the council has in place a protocol on member/ officer relations and an inter-party protocol;
- The council operates within an established procedural framework which incorporates a scheme of delegation, standing orders and financial regulations. These describe the roles and responsibilities of Elected Members and officers and are subject to regular review. The council facilitates policy and decision making through the agreed committee structure;
- Responsibility for maintaining and operating an effective system of internal financial control rests with the council's Chief Financial Officer as Section 95 Officer. The system of internal financial control is based on a framework of regular management information, the Financial Regulations, administrative procedures (including separation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council;
- The council's approach to risk management is set out in the risk management framework. A strategic risk register is in place and an update report on this is regularly submitted to the Corporate Services Committee. The approach is embedded within the council's strategic planning and performance management framework with regular reporting of risk management reported to service committees; and
- Comprehensive arrangements are in place to ensure members and officers are supported by appropriate training and development.

Review of Effectiveness

The council has a responsibility, at least annually, to review the effectiveness of its governance framework including the system of internal financial control. The review of effectiveness of the framework is informed by the work of the Corporate Management Team which has responsibility for the development, implementation and maintenance of the governance environment, a Chief Internal Auditor's annual report; and reports from the external auditors and other review agencies and inspectorates.

The council's current Code of Good Governance was approved at the Audit & Performance Review Committee on 8 March 2017. An assessment of the council's compliance with the Code of Good Governance was undertaken by a group of senior officers and the outcome of this assessment was reported to the Audit Committee on 12 June 2019.

Members and officers of the council are committed to the concept of sound governance and the effective delivery of council services. Each member of the council's Corporate Management Team presents an annual statement of assurance on the adequacy and effectiveness of control (including financial control), governance and risk management arrangements within their service area, which are considered by the Strategic Directors who provide a composite assurance statement for their Directorate areas.

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

The Audit Committee performs a scrutiny role in relation to the application of the Code of Good Governance and regularly monitors the performance of the council's Internal Audit service.

In relation to the effectiveness of governance arrangements and systems of internal control for the council's group entities, the council places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) 2017, and reports to the Audit Committee. An annual programme of work is determined and undertaken by Internal Audit, approved by the Audit Committee, based upon an established risk based methodology. The Audit Manager provides an independent opinion on the adequacy and effectiveness of the council's System of Internal Financial Control. The Audit Committee performs a scrutiny role in relation to the application of PSIAS and regularly monitors the performance of the Internal Audit service. The council's Audit Manager (the council's Chief Internal Auditor) has responsibility for reviewing independently and reporting to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it.

It is our view that the council has in place a sound system of internal financial control and that appropriate mechanisms are in place to identify areas of weakness. This is corroborated by an annual assurance statement prepared by the Audit Manager stating that reasonable assurance can be placed upon the adequacy and effectiveness of the council's internal control systems.

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that the assets are safeguarded, the transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the council's objectives have been mitigated. The following main issues and areas for improvement during 2019/20 have been identified through the annual assurance statements received from either Strategic Directors or Strategic Leads:

Improvement Area 2019/20	Responsible Officer
Continue to improve the level of spend which is compliant with the Council's Financial Regulations	Strategic Leadership Team
Continue to implement the Contract and Supplier Management Policy	Procurement Manager
Review of processes and procedures for Internal Audit's approach to investigations	Audit Manager
Further develop Fraud Risk Assessment process	Audit Manager
Implementation of actions identified in the Building Standards Action Plan	Strategic Lead - Regulatory
Further develop the Workforce Management System	Business Support Manager
IT Infrastructure improvements	ICT Manager
Ensure policies and strategies are compliant with new code of practice, Well Maintained Highways	Roads & Transportation Manager
Maintenance of HRA housing rental income stream following full rollout of Universal Credit and other welfare reforms	Strategic Lead – Housing & Employability
The delivery of a whole system approach to preventing homelessness including the provision of sustainable housing support solutions.	Strategic Lead, Housing & Employability
Identify opportunities to maximise collaborative working to improve delivery of the roads service	Shared Head of Service (Roads & Transportation)
Best Value Assurance Plan – Capital Projects. Deliver Action Plan following Audit Scotland recommendations.	Strategic Lead - Regeneration
Audit Fire Alarm Systems – Implement Action Plan	Strategic Lead - Regeneration

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

Improvement Area 2019/20	Responsible Officer
Improve monitoring and review arrangements for the Pupil Equity Funding and Care Experienced Children's Fund to seek to identify aggregate spend across all schools for the same external provider and procure in an efficient and compliant manner	Strategic Lead – Education, Learning & Attainment
Consolidation of Procurement and Commissioning arrangements ensuring compliance and efficiencies	West Dunbartonshire Health and Social Care Partnership (HSCP) – Heads of Service
Continue to develop plans in response to the ageing population	Head of Health and Community Care
Review of Learning Disability Service to improve on ways of working to ensure the service is fit for the future demands	Head of Mental Health, Addictions & Learning Disabilities
Improved case recording and assessment for children and families who receive statutory social work services.	Head of Children's Health Care and Criminal Justice
Further efforts to reduce absence, supporting both staff wellbeing and containing costs	Chief Officer – HSCP

In the 2017/18 Annual Governance Statement officers identified a range of areas for improvement during 2018/19. The following table provides an update on progress with these with a number having been completed or are areas which continue to have ongoing focus.

Improvement Area 2018/19	Responsible Officer	Status	Comments
Develop Fraud Risk Assessment process	Audit Manager	Complete	Process developed and used in 2018/19.
Create Fraud Integrity Group	Audit Manager	Complete	First meeting arranged
Continue to ensure Public Service Network compliance and monitor ICT security whilst reducing manual effort involved	Manager of ICT	Complete	Accreditation now obtained until 18 February 2020
Implement the Contract and Supplier Management Policy	Procurement Manager	Complete	Corporate Services Committee approved Policy in 2018/19. Policy now in implementation stage
Review Officers' Scheme of Delegation	Strategic Lead – Regulatory	Complete	Revised Scheme approved by Council in August 2018 and issued in September 2018
Develop training and awareness for the General Data Protection Regulation	Manager of Legal Services	Complete	An awareness programme was undertaken
Further develop the Workforce Management System	Business Support Manager	Complete	A number developments were implemented in 2018/19. Future developments continue and this action appears in the 2019/20 improvement list
Continue to deliver against the council's Employee Wellbeing Strategy	Strategic HR Manager	Ongoing	This action has not been completed as planned. One milestone has still to be completed (complete follow up audit of compliance with attendance management policy). This will carry forward into 2019/2020

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

Improvement Area 2018/19	Responsible Officer	Status	Comments
Continue to embed a culture of strong safety conscious management	Section Head – Risk and Health & Safety	Ongoing	This action has not been completed as planned and will be carried forward into 2019/20. The new health & safety culture is drafted and the associated documents are complete. Work to embed this will continue through 2019/20
Implement the School Governance and Regional Collaborative Improvement Structures	Strategic Lead – Education, Learning & Attainment	Complete	Improvement Collaborative now established as a subsidiary group to the Glasgow City Region Cabinet
Review and implement organisational scheme for information management	Manager of Legal Services	Complete	Scheme of Information Governance has been agreed
Implement revised processes for prevention of arrears and early intervention for those struggling with their rental payments	Strategic Lead – Resources; Strategic Lead – Housing & Employability	Complete	Housing Officers now responsible for pre-tenancy arrears prevention and early intervention. Several schemes developed or revised to assist tenants struggling with poverty, including establishment of a Tenancy Sustainment and Hardship fund
Within Social Care, develop robust commissioning and procurement arrangements with external providers across a range of services	West Dunbartonshire HSCP – Heads of Service	Ongoing	Not completed in 2018/19 - Report to HSCP Board in May 2019 detailing approaches required and planned
Develop plans in response to the ageing population	Head of Health and Community Care	Ongoing	Programme of frailty assessments implemented. HSCP has developed and agreed a plan to create a Focussed Intervention Team, (a multi-disciplinary team to respond rapidly to people in their own homes, suffering an exacerbation in their illness or due to frailty). Further work is ongoing and this appears in the 2019/20 improvements list

The council continues to recognise the need to exercise strong management arrangements to manage financial pressures common to all local authorities and the Chief Finance Officer will continue to provide regular updates to council on this subject, including a revised long-term finance strategy.

As stated above a self-evaluation review of the council's revised Code of Good Governance has identified that current practice within the council is mainly compliant although there are some areas for improvement including the following main themes:

- Embedding “Be the Best” conversations;
- Partnership risk management;
- Procurement;

Annual Governance Statement (Cont'd)

Review of Effectiveness (cont'd)

- Planning and performance improvement; and
- Information Governance.

In relation to Procurement, an Internal Audit report provided to Audit Committee in December 2018 highlighted weaknesses in the Council's procurement arrangements within Roads and Greenspace in that a number of procurement processes had been completed without following the Council's Financial Regulations. This was confirmed by an Audit Scotland review which also identified weaknesses in the controls in place to monitor revenue spend consistently against contracts across all services, and for identifying and managing potential conflicts of interest relating to staff involved in procurement activity. Improvement plans from both audits have been agreed by management which aim to increase compliance and management processes. A previous Internal Audit report had also highlighted improvement action required in relation to Fire and Security Alarms contracts.

As part of the planned Internal Audit Plan for 2019/20 a follow-up audit on the agreed action plans from the above audit and previous audits where procurement had been identified as an area for improvement has been undertaken and has found that in general audit actions have been implemented by management though within Roads and Greenspace while there have been improvements in practice, there are a number of further improvements required. The follow-up Internal Audit report has therefore produced a number of further recommendations.

The annual Procurement Report for 2019 was reported to the Corporate Services Committee on 22 May 2019 advising that for regulated spend in 2018/19 79.7% was compliant with Financial Regulations. It was also reported that for all spend above £2,000 (spend above which specific approaches to procurement should be followed per the Financial Regulations) for 2018/19 77.2% complied, compared to 72% in 2017/18. A target for 2019/20 has been set at 90%. The Report can be found on the Council website: [Procurement Annual Report 2019](#)

The report provided details, as required by legislation, of areas of non-compliance, together with information on approaches that will be used to increase levels of compliance in 2019/20.

In Assurance Statements provided as part of the process to generate this Statement all service areas have identified procurement as an area of improvement in 2019/20.

The most significant areas (values greater than £1m) of non-compliance identified were as follows:

Service Area	Annual Spend 2018/19	Percentage-Non Compliant
Housing Support Services	£9,184,629	100%
Children's Homes	£4,202,579	74.5%
Disability Care Services	£3,771,492	100%
Home Care	£1,958,847	100%
Advice and Support Services	£1,381,523	100%
Building Materials Suppliers	£1,195,140	28.4%

Internal Audit has recently reported to the Audit Committee its findings in relation to a planned audit on Tendering and Procurement in Social Care (HSCP) which was included in the 2018/19 audit plan at the request of HSCP Chief Officer. The report has identified a number of recommendations for improvement. The Internal Audit report has highlighted that a range of services are procured within the HSCP that are not fully compliant with the Financial Regulations, while recognising the different procurement requirements within the HSCP in relation to the needs of service users. It is recognised therefore that improvements are required to formalise these contractual arrangements and the HSCP and procurement team are making progress to improve levels of compliance. Progress will be monitored, reported and scrutinised by the HSCP Audit Committee throughout the coming year.

Annual Governance Statement (Cont'd)

Best Value Assurance Report

Audit Scotland reported a Best Value Assurance Report on West Dunbartonshire Council to the Accounts Commission on 28 June 2018 which contained five recommendations, progress against which is summarised below:

Audit Scotland recommendation	Comments	Impact of the implementation of action on issues identified
<u>Reviewing project management processes</u> To reduce the level of slippage on the capital plan, the council should review its project management processes. The council could use the Major capital investment in councils: good practice guide as the basis of a self-assessment.	Complete – existing programme management guidance will be subject to ongoing review.	Too early to tell, however early budgetary control reports for 2019/20 capital spend indicates an improvement.
<u>Further development of workforce plans</u> Workforce plans are in place and should be further developed to include forecasts of workforce numbers, the expected shape of the workforce and costs, over the planning period. Progress should be monitored.	On track – 3 of 4 milestones completed final milestone due by 31/8/19. Trend analysis and corporate training needs completed as planned and workforce planning completed alongside delivery plans.	All milestones now complete. The expected outcome is to improve workforce planning and all associated decision making and linking this with service delivery plans. To make better use of data, giving leaders more information in real time and look to develop a more proactive approach. To better support services with short/medium and long term planning/development and support.
<u>Staff absence levels</u> Some staff are finding the pace of change challenging and staff absence remains an issue. The council is taking positive steps to try and address this and should continue to explore opportunities for improvement.	On track – 4 of 5 milestones complete, final element to embed lean process improvement due to be completed by 31 October 2019.	Absence levels continue to be a challenge. The impact of the Employee Wellbeing approach is to ensure we support staff with the pace of change highlighting support, coaching and learning & development opportunities and ensuring these are timeous and meaningful. Digital leadership opportunities have been developed and an even spread across all council areas has been sought to ensure process improvement are undertaken and skills and behaviours embedded.

Annual Governance Statement (Cont'd)

Best Value Assurance Report (Cont'd)

Audit Scotland recommendation	Comments	Impact of the implementation of action on issues identified
<u>Further developing the role of the Community Alliance</u> The Community Alliance (CA) brings together representatives from neighbourhood, interest and user groups. The council sees it as an important engagement link with the community but there are a number of challenges that it needs to address. The council should continue to offer help to further develop the role of the CA and help it reach its full potential.	The new Community Empowerment Strategy will be completed by 30 June 2019 with subsequent approval by the Council and Community Empowerment West Dunbartonshire. Anticipated that this action will be fully delivered by 30 November 2019, later than originally planned.	Increased opportunity for engagement and dialogue with communities. Increased opportunity for shared understanding and commitment to the ideals of community empowerment. Increased opportunity for strategic oversight and coordination of community responses to the empowerment agenda.
<u>Cross-party working amongst councillors to address the financial challenges</u> Councillors should consider working in cross-party groups to address the financial challenges which exist and the important decisions required in the future.	Complete - Leaders from all 3 groups have agreed a way forward on this activity.	Two meetings have taken place, it is too early to tell whether this will develop into cross-party approaches or agreements to address the financial challenges.

The impact/improvements resulting from the implementation of these actions will be seen over the longer term.

Progress on the implementation of these actions has been reported to Members on an ongoing basis and most recently to Audit Committee on 12 June 2019.

Health and Social Care Integration

The council, as the funder of the Social Care services within the West Dunbartonshire Health and Social Care Partnership (HSCP) has an interest in the governance arrangements within the HSCP. Internal Audit arrangements for the HSCP is provided jointly by the council's Internal Audit service and the Health Board's Internal Audit Service, with the council's Internal Audit service providing audit arrangements for social care services and the general oversight of the HSCP's governance arrangements.

The HSCP has arrangements in place to review its own ongoing compliance with the revised Code of Governance. Due to the council's role as social care service provider Internal Audit's process outcomes on such services are reported to the council's Audit Committee as well as that of the HSCP. The Chief Social Worker provides council with an annual report on the performance of the HSCP.

The financial arrangements for the council's funding to the HSCP are aligned and budget processes run parallel to ensure that appropriate budgets for the HSCP are aligned with council policy and budgeting approaches, particularly in relation to ensuring any efficiency targets for the HSCP funding from the council are planned for and appropriate efficiencies are approved by the HSCP. On an ongoing basis council continues to receive budgetary control information in relation to HSCP services funded by the council.

Annual Governance Statement (Cont'd)

Compliance with Best Practice

Statement on the role of the Chief Financial Officer in local government

The council complies with the requirements of the CIPFA Statement on *"The Role of the Chief Financial Officer in Local Government 2010"*. The council's Chief Financial Officer (Section 95 Officer) has overall responsibility for the council's financial arrangements, and is professionally qualified and suitably experienced to lead the council's finance function and to direct finance staff.

Statement on the role of the Head of Internal Audit in Public Service Organisations

The council complies with the requirements of the CIPFA Statement on *"The Role of the Head of Internal Audit in Public Service Organisations 2019"*. The council's Chief Internal Auditor has responsibility for the council's Internal Audit function and is professionally qualified and suitably experienced to lead and direct the council's Internal Audit staff. The Internal Audit service generally operates in accordance with the CIPFA *"Public Sector Internal Audit Standards 2017"*.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2018/19 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principle objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment with plans in place to address improvement areas.

Jonathan McColl
Leader of the Council
Date: 25 September 2019

Joyce White
Chief Executive
Date: 25 September 2019

Stephen West
Strategic Lead – Resources
Date: 25 September 2019

Remuneration Report

Introduction

The council is required under statute to provide information on the remuneration of each senior elected member and senior officer and any other officer not otherwise included whose remuneration is over £0.150m per annum. All information disclosed in the tables 1-6 and section (b) of the Remuneration Report is due to be audited by Audit Scotland. The other Sections are reviewed by Audit Scotland to ensure that they are consistent with the Financial Statements.

a) Remuneration - Councillors

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2018 (SSI No. 2018/38). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as the Leader of the Council, the Civic Head (Provost), Senior Councillors and Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the council's political management structure. The regulations stipulate that in addition to the Leader of the Council and the Provost, West Dunbartonshire can appoint a maximum of ten Senior Councillors. The level of remuneration paid to the Leader of the Council, Provost and Senior Councillors is detailed in Table 1.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2018/19 the salary for the Leader of West Dunbartonshire Council was £33,992. The Regulations also state that the maximum yearly amount that may be paid to the Provost (£25,494) is 75% of the total yearly amount payable to the Leader of the Council.

The Regulations also state the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the council may have. The maximum yearly amount that may be paid to a Senior Councillor (£25,494) is 75% of the total yearly amount payable to the Leader of the Council. For 2018/19 the total yearly amount payable by the council for remuneration of all of its Senior Councillors shall not exceed £212,450. The council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Council policy is to pay Senior Councillors a salary of £21,245, per the decision at Council on 17 May 2017 for 2017/18 onwards.

During 2018/19, the Council agreed the appointment of a Council Leader, Provost, Bailie and 10 Senior Councillors and the remuneration due paid to the 10 Senior Councillors totalled £212,450 (£211,600 in 2017/18 based upon a full year in post). The Regulations also permit the council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme. The pension entitlements for the year to 31 March 2019 are shown in Table 5 on page 33.

The Scheme of Members Allowances which encompasses the salaries of all elected members including the Leader, Provost, Bailie and Senior Councillors was agreed at a meeting of the full Council on 17 May 2017. The report to Council and the Register of Members' Expenses is available at: <https://www.west-dunbarton.gov.uk/council/councillors-and-committees/councillors-allowances/>

Remuneration Report (Cont'd)

a) Remuneration – Councillors (Cont'd)

Table 1: Remuneration of Senior Councillors

Name	Position	Year ended 31 March 2019				2017/18
		Salary, Fees & Allowances	Taxable Expenses	Non-cash Expenses, Benefits-in kind	Total Remuneration	Total Remuneration
		£	£	£	£	£
Jonathan McColl	Leader of Opposition (to 3/5/17) Convener of Audit & Performance Review Committee (to 3/5/17) Leader of Council (from 17/5/17) Convener of Community Planning West Dunbartonshire Management Board (from 17/5/17) Convener of Recruitment & Individual Performance Management Committee (from 17/5/17) Convener of Sub Committee on Scheme of Delegation (from 17/5/17)	33,992	0	0	33,992	32,114
William Hendrie	Provost (from 17/5/17)	29,193	0	0	29,193	20,623
Karen Conaghan	Depute Provost (from 17/5/17) Convener of Appeals Committee (from 17/5/17) Convener of Educational Services Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Caroline McAllister	Depute Leader (from 17/5/17)	21,225	0	0	21,225	19,045
Denis Agnew	Bailie (from 17/5/17)	21,245	0	0	21,245	20,623
Jim Brown	Convener of Valuation Joint Board (to 3/5/17) Convener of Licensing Board (from 17/5/17)	21,245	0	0	21,245	21,017
Ian Dickson	Convener of Corporate Services Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Diane Docherty	Convener of Housing & Communities Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Jim Finn	Convener of Licensing Committee (from 17/5/17) Convener of Planning Committee (from 17/5/17) Convener of Tendering Committee (from 17/5/17)	21,245	0	0	21,245	20,623
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee (from 17/5/17)	21,225	0	0	21,225	19,045
Marie McNair	Convener of Integration Joint Board (HSCP) (from 17/5/17)	21,245	0	0	21,245	20,623
John Mooney	Convener of Licensing Board (to 3/5/17) Convener of Audit Committee (from 17/5/17)	21,245	0	0	21,245	21,017

Note: The term *Senior Councillor* means a Leader of the Council, the Civic Head or a Senior Councillor, all as defined by regulation 2 of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007(3).

Remuneration Report (Cont'd)

a) Remuneration – Councillors (Cont'd)

Table 1: Remuneration of Senior Councillors (cont'd)

The amount shown under salary, fees and allowances for the post of Provost is greater than the amount for the post of as senior councillor as there was a discrepancy in the salary paid during the financial year 2017/18 and this was rectified during the year 2018/19.

Remuneration paid to all Councillors

The council paid the following salaries, allowances and expenses to all Councillors (including the Senior Councillors above) during the year:

2017/18		2018/19
£		£
438,190	Salaries	441,708
22,355	Expenses	21,513
<u>460,545</u>	Total	<u>463,221</u>

Note: The annual return of Councillors' salaries and expenses for 2018/19 is available for any member of the public to view at all council libraries and public offices during normal working hours and is also available on the council website at www.west-dunbarton.gov.uk.

b) Remuneration - Senior Employees and Senior Employees of Subsidiaries

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/150 sets the amount of salary for the Chief Officials of West Dunbartonshire Council for the period 2018 to 2021. The post of Chief Officer Health and Social Care Partnership is a joint post between West Dunbartonshire Council and NHS Greater Glasgow and Clyde.

The only benefits received by employees are: salary; employer contributions to the pension fund; and where applicable, payment for election duties. There were no bonuses, compensation for loss of office or other benefits paid to senior employees during the year. The remuneration details for senior employees are noted in Table 2:

Remuneration Report (Cont'd)

b) Remuneration - Senior Employees and Senior Employees of Subsidiaries (Cont'd)

Table 2: Remuneration of Senior Employees and Senior Employees of Subsidiaries

Name	Position at 31/03/19	Total Remuneration 2018/19	Total Remuneration 2017/18
		£	£
Remuneration of Senior Employees			
Joyce White	Chief Executive	124,956	127,698
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	108,535	108,741
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	108,535	106,860
Jackie Irvine	Head of Children's Healthcare & Criminal Justice (left 29/7/18) - Chief Social Work Officer	28,470 (FYE 88,116)	86,466
Jonathan Hinds	Head of Children's Healthcare & Criminal Justice (started 12/11/18) - Chief Social Work Officer	30,909 (FYE 77,876)	N/A
Laura Mason	Strategic Lead - Education, Learning & Attainment - Chief Education Officer	83,102	81,504
Stephen West	Strategic Lead - Resources - S95 Officer	88,116	86,856
Remuneration of Senior Employees of Subsidiaries			
John Anderson	General Manager of West Dunbartonshire Leisure	72,486	69,991

Total remuneration 2017/18 includes election payments for senior employees. There were no elections during 2018/19.

Details of the post of Chief Officer-Health & Social Care Partnership are included in the remuneration report of the Integration Joint Board. West Dunbartonshire Council funds 50% of this post and NHS Greater Glasgow fund the remaining 50%.

Notes

- The term *senior employee* means any local authority employee:
 - who has responsibility for the management of the local authority to the extent that the person has the power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
 - who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
 - whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.
- The figure for gross salary, fees and allowances shown for the Chief Executive for the year ended 31 March 2019 includes any amounts received as the Returning Officer for West Dunbartonshire in elections. There were no elections during 2018/19 and two elections during 2017/18 namely: For the Local Government Election and the General Election during 2017/18, amounts included are £4,426.
- The Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. There were no discretionary payments made to senior employees during the year.

Remuneration Report (Cont'd)

c) Remuneration of Employees receiving more than £50,000

Council employees receiving more than £50,000 remuneration for the year were paid the following amounts. In accordance with the disclosure requirement of the Regulations, the information in the table shows the number of employees in bands of £5,000. This information includes the senior employees who are subject to the fuller disclosure requirements in the tables above.

The remuneration of employees for 2017/18 has been restated to show the accrual position rather than the actual pay received during the tax year.

Table 3: Remuneration of Employees

	Number of Employees	
		Restated
	2018/19	2017/18
£50,000 - £54,999	57	36
£55,000 - £59,999	43	44
£60,000 - £64,999	33	21
£65,000 - £69,999	2	2
£70,000 - £74,999	1	2
£75,000 - £79,999	2	4
£80,000 - £84,999	8	9
£85,000 - £89,999	3	2
£105,000 - £109,999	3	2
£120,000 - £124,999	1	1
Total	153	123

d) Pension Benefits

Pension benefits for Councillors and most local government employees are provided through the Local Government Pension Scheme (LGPS). Councillors' pension benefits are based on career average pay. The Councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The pension entitlements for the year to 31 March 2019 are shown in Table 5 on pages 31 and 32. The table details the pension entitlement and contributions made by West Dunbartonshire Council in respect of all senior Councillors and senior officers of the council who have opted to join the LGPS.

For local government employees, the LGPS 2015 is a career average pension scheme. This means that pension benefits from 01/04/2015 are based on pensionable pay with inflation added. Pension is accrued at a rate of 1/49 of pensionable pay for each scheme year. Pension benefits can be accessed from age 60 but are reduced if taken earlier than Normal pension Age (State Pension Age). Pension benefits accrued before 1 April 2015 are protected and are based on final pay on retiring.

Pension benefits for teachers are provided through Scottish Teachers Superannuation Scheme (STSS). The STSS is a contributory scheme administered by the Scottish Public Pension Agency (SPPA). From 1 April 2015 the scheme is a career average pension scheme. Pension benefits are increased in line with inflation. Pension is accrued at 1/57 of pensionable earnings each year. Pension benefits can be accessed earlier than the normal state pension age but will be reduced if taken earlier than the normal pension age (state pension age).

From 1 April 2009, a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Table 4 provides information on these tiered contribution rates.

Remuneration Report (Cont'd)

d) Pension Benefits (Cont'd)

Table 4: Contribution Rate

	Contribution rate 2018/19	Contribution rate 2017/18
The tiers and members contribution rates for 2018/19 whole time pay:		
<u>Local Government employees</u>		
On earnings up to and including £21,300 (£20,700)	5.50%	5.50%
On earnings above £21,300 (£20,700) and up to £26,100 (£25,300)	7.25%	7.25%
On earnings above £26,100 (£25,300) and up to £35,700 (£34,700)	8.50%	8.50%
On earnings above £35,700 (£34,700) and up to £47,600 (£46,300)	9.50%	9.50%
On earnings above £47,600 (£46,300)	12.00%	12.00%
The tiers and members contribution rates for 2018/19 actual pay:		
<u>Teachers</u>		
On earnings up to and including £27,047 (£26,259)	7.20%	7.20%
On earnings above £27,047 (£26,259) and up to £36,410 (£35,349)	8.70%	8.70%
On earnings above £36,410 (£35,349) and up to £43,172 (£41,914)	9.70%	9.70%
On earnings above £43,172 (£41,914) and up to £57,216 (£55,549)	10.40%	10.40%
On earnings above £57,216 (£55,549) and up to £78,022 (£75,749)	11.50%	11.50%
On earnings above £78,022 (£75,749)	11.90%	11.90%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of pay from 1 April 2015. Prior to this the accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

Remuneration Report (Cont'd)

d) Pension Benefits (Cont'd)

Table 5: Pension Benefits of Senior Councillors; Senior Employees and Senior Employees of Subsidiaries

		In-year pension contributions		Accrued pension benefits	
		For year to 31 March 2019	For year to 31 March 2018	As at 31 March 2019	As at 31 March 2018
Name	Position at 31/03/19	£	£	£	£
Senior Councillors					
Jonathan McColl	Leader of Opposition (to 3/5/17) Convener of Audit & Performance Review Committee (to 3/5/17) Leader of Council (from 17/5/17) Convener of Community Planning West Dunbartonshire Management Board (from 17/5/17) Convener of Sub Committee on Scheme of Delegation (from 17/5/17) Convener of Recruitment & Individual Performance Management Committee (from 17/5/17)	6,561	6,198	6,691	5,752
Denis Agnew	Bailie (from 17/5/17)	4,100	3,980	6,234	5,694
John Mooney	Convener of Licensing Board (to 3/5/17) Convener of Audit Committee (from 17/5/17)	4,100	4,056	2,853	2,362
Jim Brown	Convener of Valuation Joint Board (to 3/5/17) Convener of Licensing Board (from 17/5/17)	4,100	3,403	804	371
Karen Conaghan	Depute Provost (from 17/5/17) Convener of Appeals Committee (from 17/5/17) Convener of Educational Services Committee (from 17/5/17)	4,089	3,767	844	410
Ian Dickson	Convener of Corporate Services Committee (from 17/5/17)	4,089	3,767	844	410
Diane Docherty	Convener of Housing & Communities Committee (from 17/5/17)	4,089	3,767	844	410
Jim Finn	Convener of Licensing Committee (from 17/5/17) Convener of Planning Committee (from 17/5/17) Convener of Tendering Committee (from 17/5/17)	4,100	3,980	3,300	2,792
Caroline McAllister	Depute Leader (from 17/5/17)	4,089	3,767	844	410
Iain McLaren	Convener of Infrastructure Regeneration & Economic Development Committee (from 17/5/17)	4,089	3,767	844	410
Senior Employees					
Joyce White	Chief Executive	24,074	26,405	30,857	27,580
Angela Wilson	Strategic Director of Transformation & Public Sector Reform	20,910	22,149	146,171	141,575
Richard Cairns	Strategic Director of Regeneration, Environment & Growth	20,910	22,149	62,131	58,774
Jackie Irvine	Head of Children's Healthcare & Criminal Justice (left 29/7/18) - Chief Social Work Officer	5,123	17,922	53,784	53,055
Jonathan Hinds	Head of Children's Healthcare & Criminal Justice (started 12/11/18) - Chief Social Work Officer	6,273	N/A	52,271	N/A
Laura Mason	Strategic Lead - Education, Learning & Attainment - Chief Education Officer	16,039	15,730	116,799	112,836
Stephen West	Strategic Lead - Resources - S95 Officer	16,976	17,922	110,282	112,510
Senior Employees of Subsidiaries					
John Anderson	General Manager of West Dunbartonshire Leisure	13,965	14,507	51,579	48,326

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total public sector service, and not just their current appointment. The pension entitlements for the year to 31 March 2019 for Senior Councillors are shown in Table 5, together with the contribution made by West Dunbartonshire Council to each Senior Councillor's pension during the year. Senior councillors omitted from the table above are not members of the Local Government Pension Scheme.

e) Exit Packages

A number of exit packages were agreed, at a total cost of £0.550m for 2018/19, as shown in the following Table 6.

Remuneration Report (Cont'd)

e) Exit Packages (Cont'd)

Table 6

Banding	Number of departures		Total cost	
	2018/19	2017/18	2018/19	2017/18
			£	£
£0 - £20,000	10	16	81,369	176,252
£20,001 - £40,000	4	3	113,890	96,611
£40,001 - £60,000	2	3	94,914	140,439
£60,001 - £120,000	2	2	147,003	134,161
Total	18	24	437,176	547,463

Note: there were no compulsory packages in this or the previous financial year.

f) Trade Union Facility Time

Facility time generates benefits for employees, managers and the wider community from effective joint working between union representatives and employers.

Details of the facility time within West Dunbartonshire Council during the year to 31 March 2019 is shown in Table 7 below.

Table 7

Education Function Employee Representatives		All Other Function Employee Representatives	
Number of Employees	FTE employee Number	Number of Employees	FTE employee Number
45	40.74	74	70.01
Percentage of Time Spent on Facility		Percentage of Time Spent on Facility	
Percentage	Number of Employees	Percentage	Number of Employees
Less < 1%	31	Less < 1%	47
1-50%	12	1-50%	24
51%-99%	2	51%-99%	1
100%	0	100%	2
Total cost of facility time		Total cost of facility time	
£58,118		£99,646	
Total pay bill		Total pay bill	
£54,901,587		£84,741,543	
Percentage of Pay Bill Spent on Facility Time		Percentage of Pay Bill Spent on facility Time	
0.10%		0.10%	
Paid TU Activities		Paid TU Activities	
3.97%		8.20%	

Remuneration Report (Cont'd)

f) Trade Union Facility Time (Cont'd)

Further detail can be found at:

<http://www.west-dunbarton.gov.uk/council/performance-and-spending/trade-union-facility-time-reports/>

Jonathan McColl
Leader of the Council
Date: 25 September 2019

Joyce White
Chief Executive
Date: 25 September 2019

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in year, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Further detail on the expenditure and income within the Next Cost of Services below is available in Note 14 on page 60.

Details of the re-statement for 2017/18 is available within Note 1 on page 40. It should be noted that due to a change in Accounting Practice from 2018/19 onwards, the layout of for sundry bad debt provisions is shown within the 'Impairment loss – debtors' below the Net Cost of Service section of the Comprehensive Income and Expenditure Statement. There was no requirement to re-state the relevant figures in 2017/18 for this change.

2017/18 Re-stated Gross Expenditure £000	2017/18 Re-stated Gross Income £000	2017/18 Re-stated Net Expenditure £000	Note		2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
78,427	(51,114)	27,313		Service	75,514	(51,139)	24,375
102,926	(9,708)	93,218		Corporate Services	112,924	(9,858)	103,066
56,115	(14,535)	41,580		Educational Services	66,871	(17,477)	49,394
				Infrastructure, Regeneration and Economic Development			
9,341	(4,326)	5,015		Housing and Communities	9,441	(4,475)	4,966
33,456	(42,283)	(8,827)		Housing Revenue Account	32,641	(41,957)	(9,316)
9,688	(6,916)	2,772		Miscellaneous Services	17,234	(7,094)	10,140
153,061	(86,991)	66,070		Health and Social Care Partnership	162,129	(92,273)	69,856
2,481	0	2,481		Requisitions	2,459	0	2,459
445,495	(215,873)	229,622		Net Cost of Service (1)	479,213	(224,273)	254,940
		595		(Gain) / loss on Disposal of Fixed Assets			3,362
		595		Other Operating Expenditure (2)			3,362
		(32,607)		Council Tax			(33,805)
		(77,334)	9	Non-Domestic Rates			(78,812)
		(104,165)	9	Revenue Support Grant			(104,759)
		(13,169)	9	Recognised Capital Income (Grants, Contributions & Donations)			(20,254)
		(227,275)		Taxation and Non-specific Grant Income (3)			(237,630)
		(320)	26	Interest Earned			(330)
		18,329	26	External Interest Payable / Similar Charges			19,359
		0		Impairment Loss - Debtors			1,414
		0	26	(Gain)/Loss early settlement of borrowing			5
		(2,759)	6	Surplus on Trading Undertakings not included in net cost of services			(3,234)
		6,441	12	Pension Interest Cost/Expected Return on Pension Assets			3,753
		21,691		Finance/Investment Income and Expenditure (4)			20,967
		24,633		(Surplus)/Deficit on Provision of Services (5) = (1)+(2)+(3)+(4)			41,639
		(1,500)		(Surplus)/Deficit arising from revaluation of property, plant and equipment			(35,563)
		0		(Surplus)/Deficit on revaluation of available for sale assets			238
		(134,863)	12	Actuarial (gains)/losses on pension fund assets and liabilities			49,463
		(136,363)		Other Comprehensive (Income) and Expenditure (6)			14,138
		(111,730)		Total Comprehensive (Income) and Expenditure (5) + (6)			55,777

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwelling rent setting purposes. The net increase/decrease before transfer to earmarked reserves line shows the statutory general fund balance and housing revenue account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

		Usable Reserves								
	General Fund	HRA	Capital	Capital	Capital	Capital	Other	Total	Unusable	Total
Note	balance	Balance	Receipts	Unapplied	Reserve	Fund	Reserves	Usable	Reserves	Reserves
	£000	£000	£000	Account	£000	£000	£000	Reserves	£000	£000
2018/19										
Opening Balance at 1 April 2018	(10,975)	(7,422)	0	(314)	(3,269)	0	(478)	(22,458)	(224,297)	(246,755)
Movement in reserve 2018/19										
Total Comprehensive Expenditure and Income	45,034	(3,395)	0	0	0	0	0	41,639	14,138	55,777
Adjustments between accounting basis and funding basis under regulations	4 (41,562)	8,838	0	36	0	(3,430)	0	(36,118)	36,118	0
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	3,472	5,443	0	36	0	(3,430)	0	5,521	50,256	55,777
Transfers to/from other statutory reserves	(3,495)	373	0	0	422	3,430	116	846	(846)	0
Closing Balance at 31 March 2019	(10,998)	(1,606)	0	(278)	(2,847)	0	(362)	(16,091)	(174,887)	(190,978)
2017/18 (Re-stated)										
Opening Balance at 1 April 2017	(13,118)	(6,963)	0	(466)	(3,633)	0	(499)	(24,679)	(110,346)	(135,025)
Movement in reserve 2017/18										
Total Comprehensive Expenditure and Income	31,737	(7,104)	0	0	0	0	0	24,633	(136,363)	(111,730)
Adjustments between accounting basis and funding basis under regulations	4 (29,717)	6,214	0	152	0	0	0	(23,351)	23,351	0
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	2,020	(890)	0	152	0	0	0	1,282	(113,012)	(111,730)
Transfers to/from other statutory reserves	123	431	0	0	364	0	21	939	(939)	0
Closing Balance at 31 March 2018	(10,975)	(7,422)	0	(314)	(3,269)	0	(478)	(22,458)	(224,297)	(246,755)

Balance Sheet

The balance sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the council. The net assets of the council (assets less liabilities) are matched by the reserves held by the council. Reserves are reported in two categories:

1. Usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt); and
2. Unusable reserves, i.e. those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MIRS line 'adjustments between accounting basis and funding basis under regulations'.

2017/18			2018/19
£000	Notes		£000
872,066	15	Property, Plant and Equipment	928,095
19	16	Intangible Assets	210
34		Long Term Debtors	27
1,406	18	Heritage Assets	1,406
497		Long Term Investments	4,500
874,022		Long Term Assets	934,238
9,069	17	Asset Held for Sale	5,670
957		Inventories	1,060
37,765	22	Short Term Debtors	45,585
28,271	25	Cash and Cash Equivalents	16,833
76,062		Current Assets	69,148
(470)	28	Provisions	(351)
(34,196)	27	Short Term Creditors	(46,899)
(172,334)	26	Short Term Borrowing	(217,467)
(5,929)	25	Cash and Cash Equivalents (overdraft)	(4,088)
(212,929)		Current Liabilities	(268,805)
737,155			734,581
(257,287)	26	Long Term Borrowing	(227,988)
(105,914)	21	PPP and Finance Lease Liabilities	(103,101)
(126,199)	12	Net Pensions Liability	(205,215)
(1,000)	9	Capital Grants Receipts in Advance	(7,299)
(490,400)		Long Term Liabilities	(543,603)
246,755		Net Assets	190,978
		Represented by:	
22,458	MIR/30	Usable Reserves	16,091
224,297	MIR/30	Unusable Reserves	174,887
246,755		Total Reserves	190,978

The unaudited Financial Statements were authorised for issue on 26 June 2019 and the audited Financial Statements were authorised for issue on 25 September 2019.

Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
Date: 25 September 2019

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting period. The statement shows how the council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

Restated 2017/18 Note £000		2018/19 £000	2018/19 £000
	Operating Activities		
24,633	Net deficit on the provision of services		41,639
(37,678)	Depreciation, amortisation and impairment	(41,712)	
(4,405)	Net gain on fixed assets	(9,054)	
(20,136)	Movement in pension liabilities	(29,553)	
(189)	Movement in inventories	103	
2,916	Movement in debtors	6,696	
(567)	Movement in creditors and provisions	(9,151)	
469	Other non-cash movements	128	
(59,590)	Adjustments to net deficit on the provision of services for non-cash movements		(82,543)
(58)	Financing movements	8	
13,169	Investing movements	20,254	
13,111	Adjustments for items included in the net surplus/deficit on the provision of services that are investing and financing activities		20,262
(21,846)	Net cash inflow from Operating Activities		(20,642)
66,554	Purchase of property, plant and equipment and intangible assets	68,306	
(3,813)	Proceeds from sale of property, plant and equipment and intangible assets	(3,430)	
0	Movement on long term investments	4,008	
(10,791)	Other receipts from investing activities	(25,379)	
51,950	Net cash outflows from investing activities		43,505
(198,200)	Cash receipts of short-term and long-term borrowing	(201,337)	
2,633	Repayment of PPP liabilities	2,813	
152,433	Repayment of short-term and long-term borrowing	185,258	
(43,134)	Financing Activities		(13,266)
(13,030)			9,597
9,312	25 Cash and cash equivalents at the beginning of the reporting period		22,342
22,342	25 Cash and cash equivalents at the end of the reporting period		12,745
(13,030)	25 Movement – Decrease in Cash		9,597

Notes to the Financial Statements

Note 1 – Prior Year Adjustments and Restatements

In order to ensure 2017/18 figures are on a comparable basis to 2018/19 figures, there has been a prior year adjustment for the detail held in the Net Cost of Service within the Comprehensive Income and Expenditure Statement due to a change in the service responsibilities of the council's committees. The revised Comprehensive Income and Expenditure Statement, Movement in Reserves and Cashflow also adjusted for a correction to the treatment of premium and EIR costs.

The effects of the restatement on the Financial Statements are as follows (only those lines that have changed are shown):

Prior Year Adjustment					
As previously stated	Restructure	Allocation of Internal Recharges	Premiums	Restated	
£000	£000	£000	£000	£000	
Comprehensive Income and Expenditure Statement					
Comprehensive Income and Expenditure - Gross Expenditure					
Corporate Services	75,922	2,559	(54)	0	78,427
Educational Services	104,693	634	(2,401)	0	102,926
Infrastructure, Regeneration & Economic Development	63,401	(2,797)	(4,489)	0	56,115
Housing and Communities	9,771	(396)	(34)	0	9,341
Miscellaneous Services	9,692	0	(4)	0	9,688
Health & Social Care Partnership	154,012	0	(951)	0	153,061
Net Cost of Services before removal of Internal Recharges	453,428	0	(7,933)	0	445,495
Removal of Internal Recharges	(7,933)	0	7,933	0	0
Comprehensive Income and Expenditure - Gross Income					
Corporate Services	(49,726)	(1,388)	0	0	(51,114)
Educational Services	(9,582)	(126)	0	0	(9,708)
Infrastructure, Regeneration & Economic Development	(23,497)	1,068	7,894	0	(14,535)
Housing and Communities	(4,811)	446	39	0	(4,326)
Miscellaneous Services	(6,916)	0	0	0	(6,916)
Net Cost of Services before removal of Internal Recharges	(223,806)	0	7,993	0	(215,813)
Removal of Internal Recharges	7,993	0	(7,993)	0	0
Comprehensive Income and Expenditure - Net Expenditure					
Corporate Services	26,196	1,171	(54)	0	27,313
Educational Services	95,111	508	(2,401)	0	93,218
Infrastructure, Regeneration & Economic Development	39,904	(1,729)	3,405	0	41,580
Housing and Communities	4,960	50	5	0	5,015
Miscellaneous Services	2,776	0	(4)	0	2,772
Health & Social Care Partnership	67,021	0	(951)	0	66,070
External Interest Payable/ Similar Charges	18,422	0	0	(93)	18,329
(Gain)/Loss Early Settlement of Borrowing	846	0	0	(846)	0
Finance/Investment Income and Expenditure	22,630	0	0	(939)	21,691
(Surplus)/ Deficit on Provision of Service	25,572	0	0	(939)	24,633
(Surplus)/ Deficit on Revaluation of available for sale assets	(939)	0	0	939	0

Notes to the Financial Statements (Cont'd)

Note 1 – Prior Year Adjustments and Restatements (cont'd)

	Prior Year Adjustment				Restated £000
	As previously stated £000	Restructure £000	Allocation of Internal Recharges £000	Premiums £000	
Movement in Reserves					
Total Comprehensive Expenditure and Income - General Fund	32,245	0	0	(508)	31,737
Total Comprehensive Expenditure and Income - HRA	(6,673)	0	0	(431)	(7,104)
Total Comprehensive Expenditure and Income - Total Usable Reserves	25,572	0	0	(939)	24,633
Total Comprehensive Expenditure and Income - Unusable Reserve	(137,302)	0	0	939	(136,363)
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - General Fund	2,528	0	0	(508)	2,020
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - HRA	(459)	0	0	(431)	(890)
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - Total Usable Reserves	2,221	0	0	(939)	1,282
Net (Increase)/ Decrease before Transfers to other Statutory Reserves - Unusable Reserves	(113,951)	0	0	939	(113,012)
Transfers to other Statutory Reserves - General Fund	(385)	0	0	508	123
Transfers to other Statutory Reserves - HRA	0	0	0	431	431
Transfers to other Statutory Reserves - Total Usable Reserves	0	0	0	939	939
Transfers to other Statutory Reserves - Unusable Reserves	0	0	0	939	939
Cashflow					
Net deficit on the provision of services	25,572	0	0	(939)	24,633
Other non-cash movements	(470)	0	0	939	469
Adjustments to net deficit on the provision of services for non-cash movements	(60,529)	0	0	939	(59,590)

Note 2 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Financial Statements contain estimated figures that are based on assumptions made by the council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the authority's balance sheet as at 31 March 2019, for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Financial Statements (Cont'd)

Note 2 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (cont'd)

Item	Uncertainty	Potential effect
Property Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will incur in relation to those assets. The current economic climate makes it uncertain that the council will be able to sustain its current level of spending on maintenance, bringing into doubt the useful lives assigned to assets.	If the useful lives of assets are reduced, depreciation will increase and the carrying amount of assets will fall. It is estimated that the annual depreciation charge for buildings would increase by £0.681m for every year that useful lives had to be reduced.
Provision – equal pay	The council has set aside a provision of £0.233m for the settlement of claims arising from the Equal Pay Initiative, based upon the number of claims received and an average settlement amount. It is not certain that all valid claims have been received by the council or that precedents set elsewhere on settlement values will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would have an effect of adding £0.023m to the provision needed.
Provision – severance and early retiral	The council has set aside a provision of £0.118m for future early retiral or voluntary severance costs, based upon an average historic settlement figure and estimated leavers. It is not certain that the estimate accounts for all possible voluntary leavers or that the estimated average historic cost will be applicable.	An increase over the forthcoming year of 10% in either the total number of voluntary leavers or the estimated average cost would have an effect of adding £0.012m to the provision needed.
Pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rate at which salaries are projected to increase by, changes to retirement ages, mortality rates and expected returns on pension assets held. A firm of consulting actuaries is engaged to provide the council with expert advice about the assumptions applied.	The effect on the net liability can be measured. However, the assumptions interact in complex ways. During 2018/19 the appointed actuaries advised that the net liability had increased by £79.016m as a result of estimates being updated and an update to the assumptions.
Arrears and bad debts	As at 31 March 2019, the council had a balance of various debtors (including council tax, sundry debtors, housing rents) of £45.585m with a sliding scale of bad debt provision written against this, depending on the age of the debt.	If collection rates were to deteriorate, the provision for bad debts would require to be reviewed to consider the appropriate level of provision. However, based upon prior experience, the bad debt provision is considered adequate.

Notes to the Financial Statements (Cont'd)

Note 2 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (Cont'd)

Item	Uncertainty	Potential effect
Fair Value Measurements	<p>When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model).</p> <p>Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the council's assets and liabilities.</p> <p>Where Level 1 inputs are not available, the council utilises relevant experts to identify the most appropriate valuation techniques (for example for surplus assets and non-current assets held for sale, the council's estates valuer and for financial instruments the council's treasury advisors). Information about the valuation techniques and inputs used in determining the fair value of the council's assets and liabilities is disclosed in notes 15, 17 and 26.</p>	<p>The authority uses the discounted cash flow (DCF) model to measure the fair value of financial instruments. Surplus assets and non-current assets held for sale have been based on the market value approach. Market conditions are such that similar properties are marketed, purchased and sold actively.</p> <p>The significant observable inputs used include current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland for surplus assets and non-current assets held for sale and discount rates for financial instruments.</p> <p>Significant changes in any of these would result in significantly lower or higher fair value measurement for financial instruments as detailed in note 26. Significant changes to the key inputs for non-financial assets would have a significant impact on the value of the properties. However as the properties are valued annually and form a small proportion in relation to the value of the council's overall portfolio the impact of any changes would be limited.</p>

Notes to the Financial Statements (Cont'd)

Note 3 - Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires a disclosure of the nature and amount of material items. Material items of expenditure charged to services in the year are shown in the table below:

Item	Nature	£000
Unitary Charge Payment	Public Private Partnership agreement for the provision of 3 secondary schools and one primary school	11,735
Insurances	Insurance premiums for all policies	2,006
Landfill Tax	A tax paid on the disposal of waste. It is payable to Her Majesty's Revenue and Customs (HMRC)	2,179
Housing Benefit received	Benefit received to support customers on low incomes with housing rent costs	43,183
Housing Benefit paid	Benefit paid to support customers on low incomes with housing rent costs	44,220
Care Homes	Cost of providing care home services by external providers	9,803
NHS Resource Transfer	Income received from NHS to support care in the community.	(8,700)
Supplementation	Residential Accommodation for adults and children with disabilities	18,528
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Day Support	1,272
Integration Joint Board - West Dunbartonshire Health and Social Care Partnership	Payments to Clients	3,702

Notes to the Financial Statements (Cont'd)

Note 4 – Adjustments between funding accounting basis and funding basis under regulations

This note provides further breakdown of the adjustments summarised in the Movement in Reserves Statement on page 37. It is identified under the headings Usable and Unusable Reserves. Further detail of the reserves identified under the classification of usable and unusable is given in notes 29 and 30 on pages 83 and 84.

2018/19

	General Fund Balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Reserve £000	Capital Fund £000	Other Reserves £000	Total Usable Reserves £000
Usable Reserves								
Adjustments to the Revenue Resources								
Pension Costs (transferred to (or from) the Pensions Reserve)	(28,969)	(584)	0	0	0	0	0	(29,553)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	4	4	0	0	0	0	0	8
Holiday Pay (transferred to the Accumulated Absences Reserve)	(73)	32	0	0	0	0	0	(41)
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	(19,513)	(7,648)	0	0	0	0	0	(27,161)
	(48,551)	(8,196)	0	0	0	0	0	(56,747)
Adjustments between Capital and Revenue Resources								
Transfer of non-current asset sale gain/loss from revenue to the Capital Receipts Reserve	(748)	(2,603)	3,351	0	0	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	7,737	6,288	0	0	0	0	0	14,025
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	13,349	0	0	0	0	0	13,349
	6,989	17,034	3,351	0	0	0	0	27,374
Adjustments to the Capital Resources								
Disposal of non-current asset sale proceeds	0	0	(6,781)	0	0	0	0	(6,781)
Transfer from the Capital Receipts Reserve to the Capital Fund	0	0	3,430	0	0	(3,430)	0	0
Application of capital grants to finance capital expenditure	0	0	0	36	0	0	0	36
	0	0	(3,351)	36	0	(3,430)	0	(6,745)
Total Adjustments	(41,562)	8,838	0	36	0	(3,430)	0	(36,118)

Notes to the Financial Statements (Cont'd)

Note 4 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2018/19

	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Employee Statutory Adjustment Account £000	FIAA £000	Total Unusable Reserves £000
Unusable Reserves						
Adjustments to the Revenue Resources						
Pension Costs (transferred to (or from) the Pensions Reserve)	0	0	29,553	0	0	29,553
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	0	0	0	0	(8)	(8)
Holiday Pay (transferred to the Accumulated Absences Reserve)	0	0	0	41	0	41
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	27,161	0	0	0	0	27,161
	27,161	0	29,553	41	(8)	56,747
Adjustments between Capital and Revenue Resources						
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(14,025)	0	0	0	0	(14,025)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(13,349)	0	0	0	0	(13,349)
	(27,374)	0	0	0	0	(27,374)
Adjustments to the Capital Resources						
Disposal of non-current asset sale proceeds	6,781	0	0	0	0	6,781
Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve	(9,548)	9,548	0	0	0	0
Write out Revaluation Reserve of Disposals	(93)	93	0	0	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	0	0
Application of capital grants to finance capital expenditure	(36)	0	0	0	0	(36)
	(2,896)	9,641	0	0	0	6,745
Total Adjustments	(3,109)	9,641	29,553	41	(8)	36,118

Notes to the Financial Statements (Cont'd)

Note 4 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2017/18

	General Fund Balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied Account £000	Capital Reserve £000	Other Reserves £000	Total Usable Reserves £000
Usable Reserves							
Adjustments to the Revenue Resources							
Pension Costs (transferred to (or from) the Pensions Reserve)	(19,548)	(588)	0	0	0	0	(20,136)
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(32)	(26)	0	0	0	0	(58)
Holiday Pay (transferred to the Accumulated Absences Reserve)	433	(13)	0	0	0	0	420
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	(18,624)	(5,885)	0	0	0	0	(24,509)
	(37,771)	(6,512)	0	0	0	0	(44,283)
Adjustments between Capital and Revenue Resources							
Transfer of non-current asset sale gain/loss from revenue to the Capital Receipts Reserve	(392)	(203)	595	0	0	0	0
Statutory provision for the repayment of debt (transfer to/from the Capital Adjustment Account)	7,830	5,960	0	0	0	0	13,790
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	616	6,969	0	0	0	0	7,585
	8,054	12,726	595	0	0	0	21,375
Adjustments to the Capital Resources							
Disposal of non-current asset sale proceeds	0	0	(4,405)	0	0	0	(4,405)
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	3,810	0	0	0	3,810
Application of capital grants to finance capital expenditure	0	0	0	152	0	0	152
	0	0	(595)	152	0	0	(443)
Total Adjustments	(29,717)	6,214	0	152	0	0	(23,351)

Notes to the Financial Statements (Cont'd)

Note 4 – Adjustments between funding accounting basis and funding basis under regulations (cont'd)

2017/18

	Capital Adjustment Account £000	Revaluation Reserve £000	Pension Reserve £000	Employee Statutory Adjustment Account £000	FIAA £000	Total Unusable Reserves £000
Unusable Reserves						
Adjustments to the Revenue Resources						
Pension Costs (transferred to (or from) the Pensions Reserve)	0	0	20,136	0	0	20,136
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	0	0	0	0	58	58
Holiday Pay (transferred to the Accumulated Absences Reserve)	0	0	0	(420)	0	(420)
Reversal of entries included in the Surplus or Deficit on the Provision or Services in relation to capital expenditure (these items are charges to the Capital Adjustment Account)	24,509	0	0	0	0	24,509
	24,509	0	20,136	(420)	58	44,283
Adjustments between Capital and Revenue Resources						
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(13,790)	0	0	0	0	(13,790)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(7,585)	0	0	0	0	(7,585)
	(21,375)	0	0	0	0	(21,375)
Adjustments to the Capital Resources						
Disposal of non-current asset sale proceeds	4,405	0	0	0	0	4,405
Depreciation adjustment between Capital Adjustment Account and Revaluation Reserve	(9,712)	9,712	0	0	0	0
Write out Revaluation Reserve of Disposals	(1,069)	1,069	0	0	0	0
Use of the Capital Receipts Reserve to finance capital expenditure	(3,810)	0	0	0	0	(3,810)
Application of capital grants to finance capital expenditure	(152)	0	0	0	0	(152)
	(10,338)	10,781	0	0	0	443
Total Adjustments	(7,204)	10,781	20,136	(420)	58	23,351

Notes to the Financial Statements (Cont'd)

Note 5 – Events After the Balance Sheet Date

The draft Financial Statements were authorised for issue by the Strategic Lead - Resources on 26 June 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place after this date provide information about conditions existing as at 31 March 2019, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

A revised pensions actuaries report was requested from the Pension Fund after the submission of the draft Financial Statements due to the material impact on the pensions valuation caused by some recent legal rulings within UK courts (in this case the McCloud/Sargeant ruling and the Guaranteed Minimum Pension (GMP) indexation). As a result of these cases the Financial Statements were amended to reflect the new valuation.

Note 6 – Trading Operations

The Local Government Scotland Act 2003 repealed the legislation governing compulsory competitive tendering. The Act introduced a requirement for statutory trading accounts to be maintained for “significant trading operations”. A service is deemed to be a significant trading account where the service is provided in a competitive environment, it is charged on a basis other than straightforward recharge of cost and the service is deemed to be significant.

The council has established two trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the council or other organisations. Details of those units are detailed below and these figures include an interest charge for the assets as noted within the accounting policies. It is the duty of a local council to conduct each of its significant trading operations so that, taking every year with the two previous years, total revenue is not less than expenditure. The analysis for 2016/17 to 2018/19 is as follows:

The council operates a **Housing Property Maintenance Trading Service** which delivers an economic, efficient and effective housing repairs service to its customers.

	2016/17	2017/18	2018/19	Cumulative
	£000	£000	£000	£000
Turnover	20,156	20,826	25,070	66,052
Expenditure	19,023	20,439	24,518	63,980
Surplus	1,133	387	552	2,072

The council operates a **Grounds Maintenance/Street Cleaning Trading Service** which aims to make a positive impact on the health and wellbeing of residents and visitors to the area through cleaner and well maintained council areas.

	2016/17	2017/18	2018/19	Cumulative
	£000	£000	£000	£000
Turnover	9,856	10,608	10,612	31,076
Expenditure	7,705	8,236	7,930	23,871
Surplus	2,151	2,372	2,682	7,205

Combined Surplus for Trading Operations as noted in Comprehensive Income and Expenditure Statement

	3,284	2,759	3,234	9,277
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Notes to the Financial Statements (Cont'd)

Note 6 – Trading Operations (Cont'd)

The above table confirms that both trading accounts which have been statutory for more than three years, have met the break even target.

The Trading Operations require to budget for estimated IAS19 pension expenditure. In 2018/19 the actual IAS19 pension charge resulted in an increase to expenditure within the services, creating a reduced surplus. This adjustment does not bring cash into or take cash from the trading operation, but is a technical adjustment required for accounting regulations. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

Note 7 – Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central and Scottish Government

The council received £183.571m (2017/18 £181.499m) of revenue government grants and £16.743m (2017/18 £12.390m) of capital grants from the Scottish Government (with £0.338m due to the council at the year end); and other grants of £53.147m (2017/18 £51.664m) as shown in Note 9 Grant Income (with £3.707m due to the council at the year end).

Strathclyde Pension Fund

The council is an admitted body to the local government pension scheme and has made payments as shown in Note 12 Defined Benefit Pension Schemes. The balance owed to the pension fund at the year end was £3.305m.

Joint Boards

The council is a member of the Joint Boards for Valuation and Strathclyde Partnership for Transport and the council's contributions are disclosed within the Group Accounts. The council is also a partner in the West Dunbartonshire Health and Social Care Partnership and provided funding in year of £64.318m (£60.547m 2017/18).

Voluntary Sector

The following voluntary organisations received over £0.050m in grant funding from West Dunbartonshire Council during 2018/19:

	£000
West Dunbartonshire Citizens Advice Bureau	392
Independent Resource Centre	108
Y-Sort It Youth Information Project	188
The Environment Trust	183
Dumbarton Women's Aid	159
Clydebank Women's Aid	165
Clyde Shopmobility	50

The council has no shareholdings or investments in any of these organisations. There were no outstanding balances at the year end.

Key Management Personnel

Within the council's Management Team, the Chief Officer of the HSCP is employed by West Dunbartonshire Council. Details of remuneration are included within the Council's Remuneration Statement.

Notes to the Financial Statements (Cont'd)

Note 7 – Related Parties (Cont'd)

Elected Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown in the remuneration statement on pages 27 to 35. The council maintains a register of interests for Members and reviews this for transactions carried out in the year with entities which Members have an interest. In the year ended 31 March 2019, the council has not had any material transactions for any body in which Members have an interest. The elected members register of interest can be found on the council website:

<https://www.west-dunbarton.gov.uk/media/4314783/2017-2022-register-of-interests.pdf>

Senior Officers

Senior Officers require to declare an interest if he or she believes that there may be a perception that their decision making may be influenced in any way by a personal interest. Should this situation arise, the senior officer does not take part in any discussion or decision in relation to that interest. There are no significant related party transactions with senior officers of the council.

Note 8 – Agency Services

Transactions whereby the council provides a service on behalf of external organisations are noted below:

2017/18 Net Payment/ (receipt) £000	Organisation	Description	2018/19 Receipts £000	2018/19 Payment £000	(Debtor)/ Creditor at 31.03.19 £000
13,790	Scottish Water	Water and sewerage charges collected by Council and paid over	0	14,065	344
(82,419)	Scottish Government	Non Domestic Rates	80,558	0	(2,359)

Notes to the Financial Statements (Cont'd)

Note 9 – Grant Income

The council credited the following grants and other contributions to Taxation and Non-specific Grant Income within the Comprehensive Income and Expenditure Statement in 2018/19:

31 March 2018	31 March 2019
£000	£000
181,499 Revenue Support Grant/ Non-Domestic Rates	183,571
7,766 General Services Capital Grant	7,728
0 Queens Quay	6,100
110 Levensgrove	2,165
3,171 New House Build	2,049
0 Clydebank Communities Sports Hub	1,110
0 Early Year Funding	446
0 Buy Backs	245
75 Strathclyde Passenger Transport	108
100 New Dumbarton Office	100
1,947 Grants under £0.100m	203
194,668	203,825

The council credited the following grants to Services within the Comprehensive Income and Expenditure Statement in 2018/19.

Re-stated 31 March 2018	31 March 2019
£000	£000
42,717 Housing Benefit Subsidy	43,183
3,380 Pupil Equity Fund	3,426
1,865 Criminal Justice	1,988
1,190 Scottish Attainment	1,411
370 Early Learning	1,166
823 Scottish Attainment Challenge Scotland Fund	876
446 Private Sector Housing	446
298 Education Maintenance Allowance	226
575 Grants under £0.100m	425
51,664	53,147

The council has received a number of grants that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

31 March 2018	31 March 2019
£000	£000
445 Gruggies Burn	5,920
0 Early Years Funding	1,354
555 Grants under £0.100m	25
1,000	7,299

Notes to the Financial Statements (Cont'd)

Note 10 – Operating Leases

Council as Lessee

The council occupies a number of properties by way of an operating lease. The future minimum lease payment due under non-cancellable leases in future years are:

31 March 2018	31 March 2019
£000	£000
745 Not later than one year	729
2,873 Later than one year and not later than five years	2,699
3,517 Later than five years	2,916
7,135	6,344

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.720m (2017/18 - £0.697m).

The council has acquired vehicles and equipment by entering into operating leases. The future minimum lease payment due under non-cancellable leases in future years are:

31 March 2018	31 March 2019
£000	£000
253 Not later than one year	268
563 Later than one year and not later than five years	488
203 Later than five years	135
1,019	891

The expenditure charged to the appropriate service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £0.225m (2017/18 - £0.209m).

Council as Lessor

The council leases out property under operating leases for the following purposes:

- For the provision of community services, such as sports facilities, tourism services and community centres; and
- For economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payment due under non-cancellable leases in future years are:

31 March 2018	31 March 2019
£000	£000
3,831 Not later than one year	3,845
10,802 Later than one year and not later than five years	10,944
140,356 Later than five years	138,403
154,989	153,192

Notes to the Financial Statements (Cont'd)

Note 10 – Operating Leases (Cont'd)

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £2.758m contingent rents were receivable by the council (2017/18 £2.569m).

Finance Leases - The council does not have any assets or liabilities under a finance lease, either as Lessee or Lessor.

Note 11 – Termination Benefits

The council terminated the contracts of a number of employees in 2018/19, incurring liabilities of £0.401m (£0.484m in 2017/18). These terminations were made as part of the redesign of services within the council under voluntary severance and early retirement. There will be ongoing annual costs incurred by the council for those staff leaving under early retirement due to ongoing pension costs.

Note 12 – Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The council participates in the following pension schemes:

The Local Government Pension Scheme, which is a defined benefit statutory scheme, operated as Strathclyde Pension Fund, and administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998. This is a funded scheme, meaning that the council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The employer's contribution rate is set by the Fund actuaries following valuation. The employer contribution rate for 2018/19 was 19.3%, and 2019/20 is set at 19.3%. In 2018/19, the council paid an employer's contribution of £16.127m (2017/18 £16.668m).

The Teachers' Pension Scheme (Scottish Teachers' Superannuation Scheme (STSS)) which is a defined benefit scheme administered by the Scottish Public Pension Agency. The scheme is technically a multi-employer defined benefit scheme but is unfunded and the Scottish Government used a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Due to the type of scheme, the council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of this Statement of accounts, it is accounted for on the same basis as a defined contribution scheme.

The employer pays a set contribution rate of 17.2% which is effective from 1 September 2015, prior to this it was 14.9%. This is charged directly to the revenue account for the Education service. The amount paid over in respect of employer's contribution was £6.726m (2017/18 £6.461m) in respect of expenditure for teachers added years, £0.029m payments were made (2017/18 £0.031m).

The scheme is unfunded and all contributions (payable by members or employers) are paid to the Scottish Government, and the Scottish Government then meets the costs of all the benefits. A specific amount is held by the Scottish Government for this purpose. As a proportion of the total contributions into the Scottish Teachers Superannuation Scheme 2018/19, the council's own contribution equates to 1.61%.

Notes to the Financial Statements (Cont'd)

Note 12 – Defined Benefit Pension Schemes (Cont'd)

The council is not liable to the scheme for any other entities obligations under the plan.

1) Local Government Pension Scheme

Councils are also required to disclose the capital cost of discretionary increases in pension payments agreed by the Council. In 2018/19 the capitalised costs that would have arisen from the early retiral of West Dunbartonshire Council employees and from predecessor authorities were as follows:

	£000
2018/2019	1,500
In earlier years	<u>61,854</u>
Total	<u>63,354</u>

The council fully complies with the International Accounting Standard (IAS 19) concerning the disclosure of information on the pension. IAS 19 states that although the pension benefits will not be paid until the employee retires, the council has a commitment to make these payments and must disclose the cost of this in its accounts at the time employees earn their full entitlement.

The council therefore recognises the cost of the pension commitment within the Comprehensive Income and Expenditure Account when the employees earn their pension entitlement rather than when the benefits are paid as pensions. However, the cost to the taxpayer is calculated on the basis of pension contributions paid in the year, the cost of retirement benefits under IAS19 is reversed out, to ensure there is no impact on the overall cost to be funded by council tax and government grants.

Notes to the Financial Statements (Cont'd)

Note 12 – Defined Benefit Pension Schemes (Cont'd)

1) Local Government Pension Scheme

The following transactions have been made in the Comprehensive Income and Expenditure Account and Movement in Reserves Statement during the year:

2017/18 £000	2018/19 £000
Net cost of services	
32,619 Current service cost	32,252
636 Past service cost	12,622
33,255	44,874
Financing and investment Income and Expenditure	
6,441 Net interest expense	3,753
39,696	48,627
Total post employment benefit charged to the Surplus or Deficit on the provision of Services	
(9,079) Expected return on assets	(25,257)
(929) Actuarial gains and losses arising from changes in demographic assumptions	0
(43,105) Actuarial gains and losses arising from changes in financial assumptions	(74,011)
(81,750) Actuarial gains and losses arising from experience assumptions	(709)
(95,167)	(51,350)
Total post employment benefit charged to the comprehensive income and expenditure statement	
Movement in Reserves Statement	
(39,696) Reversal of net charges made to surplus of deficit for post employment benefits	(48,627)
Actual amount charged against the General Fund balance in the year	
19,560	19,074
Employer contributions payable to Scheme	

The underlying assets and liabilities for retirement benefits attributable to the council as at 31 March are as follows:

2017/18 £000	2018/19 £000
778,397 Fair value of plan assets	825,803
(842,742) Present value of defined benefit obligations	(967,664)
(64,345)	(141,861)
Net assets in the Strathclyde Pension Fund	
Present Value of Unfunded Liabilities	
(28,226) LGPS Unfunded	(29,356)
(25,679) Teachers' pensions	(26,285)
(7,949) Pre Local Government Reorganisation	(7,713)
(126,199)	(205,215)
Net pension asset/(liability)	

Notes to the Financial Statements (Cont'd)

Note 12 – Defined Benefit Pension Schemes (Cont'd)

1) Local Government Pension Scheme

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £205.215m has a substantial negative impact on the net worth of the council as recorded in the Balance Sheet, resulting in an overall balance of £190.978m. However, the statutory arrangements for funding the deficit, means the financial position of the council remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The fair value of plan assets have increased by £47.406m. This is due to asset returns being more favourable than anticipated.

The estimated liabilities have increased by £126.422m, due to financial assumptions as at 31 March 2019 being less favourable than they were at 31 March 2018, mainly due to the discount rate decreasing to 2.4% (2017/18 2.7%).

2) Pension Assets and Liabilities

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, contracted by Glasgow City Council to provide all IAS19 calculations on behalf of the councils within the Strathclyde Pension Fund. The funded obligation is noted below:

	%	Years
Active Members	59.7%	24.0
Deferred Members	8.8%	24.3
Pensioner Members	26.1%	13.2
Pre-Local Government Re-organisation Members	5.4%	10.4
	100%	18.2

The movement during the year on the defined obligation is noted as:

2017/18 £000	2018/19 £000
988,523 Opening balance	904,596
32,619 Current service cost	32,252
25,908 Interest cost	24,785
5,117 Contributions by Members	4,875
(929) Actuarial gains/losses – change in demographic assumptions	0
(43,105) Actuarial gains/losses – change in financial assumptions	74,011
(81,750) Actuarial gains/losses – other experience	709
636 Past service costs/(gains)	12,622
(2,892) Estimated unfunded benefits paid	(2,947)
(19,531) Estimated benefits paid	(19,885)
904,596 Closing Balance as at 31 March	1,031,018

Notes to the Financial Statements (Cont'd)

Note 12 – Defined Benefit Pension Schemes (Cont'd)

2) Pension Assets and Liabilities (Cont'd)

The movement during the year on the fair value of the employer's assets is:

2017/18 £000	2018/19 £000
747,597 Opening balance	778,397
9,079 Expected return on assets	25,257
19,467 Interest Income	21,032
5,117 Contributions by Members	4,875
16,668 Contributions by employer	16,127
2,892 Contributions in respect of unfunded benefits	2,947
(2,892) Estimated unfunded benefits paid	(2,947)
(19,531) Estimated benefit paid	(19,885)
778,397 Closing Balance as at 31 March	825,803

WDC Share of the pension fund asset at 31 March 2019 comprised:

2017/18			Asset Category	2018/19		
Quoted prices in Active Markets £000	Prices not quoted in Active Market £000	Total £000		Quoted prices in Active Markets £000	Prices not quoted in Active Market £000	Total £000
179,560	471	180,031	Equity Securities	190,495	500	190,995
24,423	1	24,424	Debt Securities	25,911	1	25,912
0	93,015	93,015	Private Equity	0	98,680	98,680
0	70,476	70,476	Real Estate	0	74,769	74,769
255,505	76,241	331,746	Investment funds and unit trusts	271,066	80,884	351,950
16	0	16	Derivatives	17	0	17
40,071	38,618	78,689	Cash and Cash Equivalent	42,512	40,970	83,482
499,575	278,822	778,397	Totals	530,000	295,803	825,803

As at 31 March 2019 assets are now held at bid value.

Asset and Liability Matching Strategy (ALM)

The main fund of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into narrow a range. The Fund invests in equities, bonds, properties and in cash.

The Fund has now taken account of the national change to the Local Government Pension Scheme in Scotland such as the new career average revalued earning scheme (CARE) for future accruals.

The actuarial valuation states that assets held on the valuation date were sufficient to cover 80.1% (2017/18 86.05%) of accrued liabilities at that date.

Notes to the Financial Statements (Cont'd)

Note 12 – Defined Benefit Pension Schemes (Cont'd)

2) Pension Assets and Liabilities (Cont'd)

Asset and Liability Matching Strategy (ALM) (Cont'd)

The principal actuarial assumptions used at the Balance Sheet date are as follows:

31/03/2018	31/03/2019
Long term expected return on assets	
2.4% Pension increase rate	2.5%
3.6% Salary Increase rate	3.7%
2.7% Discount rate	2.4%
<u>Mortality</u>	
Based on these assumptions, the average future life expectancies at the age of 65 are:	
21.4 Current pensioners – Men	21.4
23.7 Current pensioners - Women	23.7
23.4 Future pensioners – Men	23.4
25.8 Future pensioners - Women	25.8

The above excludes any net pension liability that the council may have to contribute to in respect of the Joint Boards of Partnership for Transport and Valuation. These costs are shown within each Joint Board's Balance Sheet and the council may be required to make an increased constituent contribution in the years when the liability fails to be met.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

Sensitivity Analysis

In order to quantify the impact of a change in the financial assumptions used, the actuaries have calculated and compared the value of the scheme liabilities as at 31 March 2019 on varying bases. The approach taken is consistent with that adopted to derive at the IAS19 figures provided. To quantify the uncertainty around life expectancy, the actuaries have calculated the difference in cost to the employer of a one year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3% to 5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominately apply at younger or older ages).

The figures have been derived based on the membership profile of the Employer as at the date of the most recent actuarial valuation.

The estimation of defined benefit obligation is sensitive to the actuarial assumptions. The sensitivity regarding the principal assumptions used to measure the schemes liabilities are set out below:

Notes to the Financial Statements (Cont'd)

Note 12 – Defined Benefit Pension Schemes (Cont'd)

2) Pension Assets and Liabilities (Cont'd)

	Approximate % increase to Employer Liability	Approximate monetary Amount £000
Real Discount Rate (0.5% decrease)	10%	98,169
Salary Increase Rate (0.5% increase)	2%	17,532
Pension Increase Rate (0.5% increase)	8%	78,562

The total contribution expected to be made to the Local Government pension scheme for 2019/20 is £15.851m.

Note 13 – External Audit Costs

In 2018/19 the council incurred £0.263m (2017/18 £0.257m) in respect of its external audit services on behalf of the Council and £0.002m (2017/18 £0.002m) on behalf of the Trust Funds, undertaken in accordance with the Code of Audit Practice.

Note 14 – Expenditure and Funding Analysis

The analysis of income and expenditure on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice. However decisions about resource allocation are taken by the council on the basis of reports that are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the revaluation reserve and amortisations are charged to services in the comprehensive income and expenditure statement); and
- the cost of retirement benefits is based on cash flows (payments of employer's pensions contributions) rather than current service cost of benefits accrued in the year.

The service expenditure noted as 'net rechargeable to the General Fund and the HRA' can also be compared to the service spend noted in the council's revenue budget monitoring table in the Management Commentary, except where there are items in the Comprehensive Income and Expenditure Statement that are reported below the net cost of service line.

The council's income and expenditure as noted on the comprehensive income and expenditure statement analysis can also be given by nature of spend and is analysed as follows:

Notes to the Financial Statements (Cont'd)

Note 14 – Expenditure and Funding Analysis (Cont'd)

Re-stated 2017/18 £000		2018/19 £000
	Expenditure	
170,604	Employee benefits expenses	188,388
230,966	Other service expenses	238,741
3,766	Support service recharges	3,740
37,678	Depreciation, amortisation, impairment	47,315
24,770	Interest payments	23,112
2,481	Precepts and levies	2,459
595	Gain on the disposal of assets	3,351
470,860	Total Expenditure	507,106
	Income	
(215,873)	Fees, charges and other service income	(224,273)
(3,079)	Interest and investment income	(3,564)
(109,941)	Income from council tax and non-domestic rates	(112,617)
(117,334)	Government grants and contributions	(125,013)
(446,227)	Total Income	(465,467)
24,633	(Surplus) / Deficit on the Provision of Services	41,639

A further breakdown of fees, charges and other service income by segmental analysis is noted below:

2017/18 £000		2018/19 £000
(51,114)	Corporate Services	(51,139)
(9,708)	Education	(9,858)
(14,535)	Infrastructure, Regeneration and Economic Development	(17,477)
(4,326)	Housing and Communities	(4,475)
(42,283)	Housing Revenue Account	(41,957)
(6,916)	Miscellaneous Services	(7,094)
(86,991)	Health and Social Care Partnership	(92,273)
(215,873)	Total Fees, Charges and other service income	(224,273)

Notes to the Financial Statements (Cont'd)

Note 14 – Expenditure and Funding Analysis (Cont'd)

The income and expenditure of the council's principal committee reporting structure recorded in the budget reports for the year is as follows:

<u>2017/18 (Restated)</u>				<u>2018/19</u>			
Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Chargeable to the General Fund and HRA Balance £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000	
22,036	5,277	27,313	Corporate Services	19,756	4,619	24,375	
74,711	18,507	93,218	Education	81,585	21,481	103,066	
30,900	10,680	41,580	Infrastructure, Regeneration and Economic Development	31,348	18,046	49,394	
3,159	1,856	5,015	Housing and Communities	4,311	655	4,966	
(18,857)	10,030	(8,827)	Housing Revenue Account	(19,812)	10,496	(9,316)	
1,750	1,022	2,772	Miscellaneous Services	792	9,348	10,140	
59,596	6,474	66,070	Health and Social Care Partnership	63,230	6,626	69,856	
2,481	0	2,481	Requisitions	2,459	0	2,459	
175,776	53,846	229,622	Net Cost of Services	183,669	71,271	254,940	
0	595	595	(Gain)/Loss on disposal of Fixed Assets	0	3,362	3,362	
(214,106)	(13,169)	(227,275)	Taxation and Non-specific Grant Income	(217,376)	(20,254)	(237,630)	
39,460	(17,769)	21,691	Finance / Investment Income and Expenditure	42,622	(21,655)	20,967	
1,130	23,503	24,633	(Surplus) or Deficit on Provision of Service	8,915	32,724	41,639	
(20,081)			MIR Opening General Fund and HRA Balance as at 31 March 2018	(18,397)			
2,528			MIR (Surplus) or Deficit on Provision of Service (General Fund)	3,472			
(459)			MIR (Surplus) or Deficit on Provision of Service (HRA)	5,443			
(385)			MIR Transfer to/from other statutory reserves	(3,122)			
(18,397)			Closing General Fund and HRA Balance as at 31 March 2019	(12,604)			

Notes to the Financial Statements (Cont'd)

Note 14 – Expenditure and Funding Analysis (Cont'd)

<u>2017/18 (Restated)</u>				<u>2018/19</u>			
Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000	Adjustments for Capital Purposes £000	Net Change for the Pension Adjustment £000	Other differences £000	Total £000
2,710	2,567	0	5,277	1,879	2,740	0	4,619
16,408	2,643	(544)	18,507	18,503	2,478	500	21,481
7,684	2,996	0	10,680	15,695	2,351	0	18,046
0	1,856	0	1,856	13	642	0	655
9,428	589	13	10,030	9,944	584	(32)	10,496
2	909	111	1,022	(163)	9,938	(427)	9,348
1,447	5,027	0	6,474	1,532	5,094	0	6,626
0	0	0	0	0	0	0	0
37,679	16,587	(420)	53,846	47,403	23,827	41	71,271
595	0	0	595	3,362	0	0	3,362
(13,169)	0	0	(13,169)	(20,254)	0	0	(20,254)
(21,375)	3,549	57	(17,769)	(27,374)	5,727	(8)	(21,655)
3,730	20,136	(363)	23,503	3,137	29,554	33	32,724

Both the Movement in Reserves (page 37) and note 4 (page 45) total the adjustments between funding accounting basis and funding basis under regulations relating to the General Fund balance (£41.562m net deductions) and HRA balance (£8.838m net additions) and this matches the total adjustments above of £32.724m.

Notes to the Financial Statements (Cont'd)

Note 14 – Expenditure and Funding Analysis (Cont'd)

Adjustment for Capital Purposes

This column adds in depreciation, impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- Financing and investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is created with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For *services*, this represents the removal of the employers contributions made by the council as allowed by statute and the replacement with current service costs and past service costs; and
- For *financing and investment income and expenditure*, the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other Differences

Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- For *services* an adjustment is made for the accrual of holiday pay and other similar entitlements, this is required under generally accepted accounting principles but the impact on the General Fund and the HRA is mitigated by statute which allows the impact to be reversed out through the Movement in Reserves; and
- For *Financing and investment income and expenditure*, the 'other differences' column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Notes to the Financial Statements (Cont'd)

Note 15 – Property, Plant and Equipment

1) Movements in 2018/19

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
Cost/Valuation at 1 April 2018	427,623	370,078	45,370	25,952	105,694	2,753	10,120	38,652	1,026,242
Additions	20,083	10,060	201	1,273	8,245	793	98	30,501	71,254
Revaluations:									
- To Revaluation Reserve	17,461	15,431	(12)	0	0	0	1,355	800	35,035
- To Net cost of Service	0	(39,412)	0	0	0	0	0	0	(39,412)
Disposals	(2,603)	0	(39)	0	0	0	(55)	(295)	(2,992)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	(280)	0	(280)
Adjustments - assets at nil NBV	0	(4,294)	(403)	0	0	0	(1)	0	(4,698)
Adjustments - change in asset type	3,881	21,184	(391)	(1,698)	0	0	0	(24,674)	(1,698)
As at 31 March 2019	466,445	373,047	44,726	25,527	113,939	3,546	11,237	44,984	1,083,451
Depreciation/Impairment at 1 April 2018	(36,573)	(57,562)	(880)	(13,843)	(43,681)	(1,566)	(71)	0	(154,176)
Depreciation charge	(9,893)	(9,207)	(395)	(3,631)	(5,282)	0	(1)	0	(28,409)
Depreciation:									
- To Revaluation Reserve	0	17,399	12	0	0	0	(69)	0	17,342
- To Net Cost of Service	0	17,275	0	0	0	0	0	0	17,275
Impairments:									
- To Revaluation Reserve	(9,541)	(1,334)	0	0	0	0	(312)	0	(11,187)
- To Net Cost of Service	0	(2,597)	0	0	0	0	0	0	(2,597)
Disposals	0	0	0	0	0	0	0	0	0
Adjustments - assets at nil NBV	0	4,294	0	0	0	0	1	0	4,295
Adjustments - change in asset type	0	0	403	1,698	0	0	0	0	2,101
As At 31 March 2019	(56,007)	(31,732)	(860)	(15,776)	(48,963)	(1,566)	(452)	0	(155,356)
Net Book Value at 31 March 2018	391,050	312,516	44,490	12,109	62,013	1,187	10,049	38,652	872,066
Net Book Value at 31 March 2019	410,438	341,315	43,866	9,751	64,976	1,980	10,785	44,984	928,095

Notes to the Financial Statements (Cont'd)

Note 15 – Property, Plant and Equipment (Cont'd)

2) Movements in 2017/18

	Council dwellings £000	Other Land & buildings £000	Industrial Units £000	Vehicles & Plant £000	Infrastructure £000	Community £000	Surplus Assets £000	Assets Under Construction £000	Property Plant & Equipment £000
Cost/Valuation at 1 April 2017	403,535	427,482	48,770	50,374	102,852	2,340	10,780	28,671	1,074,804
Additions	16,130	40,394	100	2,836	3,610	413	304	24,808	88,595
Revaluations:									
- To Revaluation Reserve	10,512	3,243	(1,714)	0	0	5	(40)	(291)	11,715
- To Net cost of Service	0	(7,249)	(440)	0	0	0	1,040	(155)	(6,804)
Disposals	(2,824)	(64)	(7)	0	0	(5)	(1,505)	0	(4,405)
Assets reclassified to/from Held for Sale	0	0	0	0	0	0	(244)	0	(244)
Adjustments - assets at nil NBV	0	(107,790)	(1,233)	(27,258)	(768)	0	(215)	(49)	(137,313)
Adjustments - change in asset type	270	14,062	(106)	0	0	0	0	(14,332)	(106)
As at 31 March 2018	427,623	370,078	45,370	25,952	105,694	2,753	10,120	38,652	1,026,242
Depreciation/Impairment at 1 April 2017	(16,153)	(149,932)	(3,728)	(37,947)	(39,347)	(1,566)	(311)	(49)	(249,033)
Depreciation charge	(9,376)	(14,367)	(407)	(3,154)	(5,102)	0	(6)	0	(32,412)
Depreciation:									
- To Revaluation Reserve	0	907	2,163	0	0	0	6	0	3,076
- To Net Cost of Service	0	98	233	0	0	0	0	0	331
Impairments:									
- To Revaluation Reserve	(11,044)	(2,942)	(261)	0	0	0	0	0	(14,247)
- To Net Cost of Service	0	884	(113)	0	0	0	25	0	796
Adjustments - assets at nil NBV	0	107,790	1,233	27,258	768	0	215	49	137,313
Adjustments - change in asset type	0	0	0	0	0	0	0	0	0
As At 31 March 2018	(36,573)	(57,562)	(880)	(13,843)	(43,681)	(1,566)	(71)	0	(154,176)
Net Book Value at 31 March 2017	387,382	277,550	45,042	12,427	63,505	774	10,469	28,622	825,771
Net Book Value at 31 March 2018	391,050	312,516	44,490	12,109	62,013	1,187	10,049	38,652	872,066

Notes to the Financial Statements (Cont'd)

Note 15 – Property, Plant and Equipment (Cont'd)

3) Capital Commitments

As at 31 March 2019, the council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for non housing and housing projects in 2018/19 budgeted to cost £24.044m (2017/18 £14.313m) and £2.859m (2017/18 £0.839m) respectively. The main commitments are:

General Services	£000
Replace Elderly Care Homes and Day Care Centres	10,299
Queens Quay District Heating Network	4,898
Queens Quay	4,279
Local Economic Development & Regeneration - various projects	2,565
Dalmonach Community Centre / Early Learning Centre	1,542
Renton Campus (part of Schools Estate Improvement Plan)	899
Building Upgrades - various projects	886
Holm Park & Yoker Athletic FC	626
Environmental Improvement Fund - Mountblow Pitch	561
Office Rationalisation	313
Community Capital Fund - various playparks	252
New Levensale Primary School All Weather Pitch	221
Aitkenbar PS, St Peters PS, Andrew Cameron EE&CC	209
Integrated Housing Management System (General Services Element)	208
ICT Modernisation and Security	200
Exxon City Deal	150
HRA	£000
External Upgrades	2,242
Integrated Housing Management System (HRA Element)	288
Structural repairs	250

Notes to the Financial Statements (Cont'd)

Note 15 – Property, Plant and Equipment (Cont'd)

4) PPP Assets Included in Property, Plant and Equipment

2017/18 £000	2018/19 £000
Cost or Valuation	
87,563 At 1 April 2018	87,563
<u>Revaluations</u>	
0 To Revaluation Reserve	2,264
0 Additions	0
87,563 At 31 March 2019	89,827
 Accumulated Depreciation and Impairment	
(15,274) At 1 April 2018	(19,504)
(4,230) Depreciation Charge	(2,392)
<u>Depreciation written out</u>	
0 To revaluation reserve	11,801
0 To NCS	5,218
(19,504) At 31 March 2019	(4,877)
72,289 Opening Net Book value	68,059
68,059 Closing Net Book value	84,950

- 5) The council measures its surplus assets at fair value at each reporting date (the council does not hold investment properties). The fair value of surplus assets have been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland. Market conditions are such that similar properties are marketed, purchased and sold actively and the level of observable inputs are sufficient, leading to the properties being categorised at Level 2 in the fair value hierarchy.

There were no transfers between Levels 1 and 2 during the year and there have been no changes in the valuation techniques used during the year for surplus assets

Note 16 – Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the council as a result of past events (e.g. computer software and/or software licences) is capitalised when it is expected that future economic or service benefits will flow from the asset to the council.

The council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. The intangible assets include purchased licences.

Where appropriate, the carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.009m charged to revenue in 2018/19 was charged to Information Services. The charge to Information Services is then absorbed as an overhead across all the service headings in the Net Cost of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on intangible asset during the year was as follows:

Notes to the Financial Statements (Cont'd)

Note 16 – Intangible Assets (cont'd)

2017/18 £000		2018/19 £000
	Balance at 1 April 2018	
346	Gross carrying amount	346
(317)	Accumulated amortisation	(327)
29	Net carrying amount at start of year	19
0	Acquisitions in year	200
(10)	Amortisation for period	(9)
19	Net carrying amount at 31 March 2019	210
	Comprising:	
346	Gross Carrying amounts	546
(327)	Accumulated amortisation	(336)
19		210

Note 17 – Assets Held for Sale

Assets held for sale are those where the carrying amount will be recovered principally through a sale transaction rather than through continued use. Before an asset can be classified as held for sale, the following conditions must be met:

- the asset must be available for immediate sale in its present condition;
- the sale must be highly probable and an active programme to locate a buyer and complete the plan must have been initiated;
- the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

The council measures its non-current assets held for sale at fair value at each reporting date. The fair value of non-current assets held for sale have been based on the market value approach using current market conditions and recent sales prices and other relevant information for similar assets in the West Dunbartonshire area together with evidence across the wider West of Scotland. Market conditions are such that similar properties are marketed, purchased and sold actively and the level of observable inputs are sufficient, leading to the properties being categorised at Level 2 in the fair value hierarchy.

There were no transfers between Levels 1 and 2 during the year and there have been no changes in the valuation techniques used during the year for non-current assets held for sale.

The movement on assets held for sale during the year was as follows:

2017/18 £000		2018/19 £000
7,345	Balance at 1 April 2018	9,069
	Assets newly classified as held for sale:-	
244	Property, Plant and Equipment	280
(695)	Revaluation Losses	0
2,175	Revaluation Gains	121
	Disposals	(3,800)
0	Assets declassified as held for sale*	0
9,069	As at 31 March 2019	5,670

*All assets values listed are in respect of Property, Plant and Equipment

Notes to the Financial Statements (Cont'd)

Note 18 - Heritage Assets

Heritage assets are both tangible and intangible assets with historic, artistic, scientific, technological, geographical or environmental qualities, which are held and maintained primarily for their contribution to knowledge and culture. The authority holds heritage assets of six main types:

- Models of Ships;
- Works of Art;
- Silver and Commemorative Ware;
- Civic Regalia (Robes and Chains);
- Sewing Machine Collections; and
- Listed Buildings and Scheduled Ancient Monuments.

The valuation of these assets held on the balance sheet as detailed below:

2017/18		2018/19
£000		£000
1,406	Balance at 1 April 2018	1,406
0	Additions/ Disposals / Newly Classified	0
<u>1,406</u>	Balance at 31 March 2019	<u>1,406</u>

The models of ships, works of art, silver and commemorative ware, civic regalia and sewing machine collections are the responsibility of the Libraries and Museums Service and accounts for approximately 90% of the overall collection with the remaining 10% being recorded and accessioned into the collection on a regular basis in line with museum accreditation. These works are held at the following locations:

- Collections Store, Poplar Road
- Collections Store, Stanford Street; and
- Clydebanks Town Hall.

Models of Ships - include MV Rangitane, MV Essex and HMS Vanguard.

Works of Art - there are 474 paintings within the works of art collection.

Civic Regalia - predominately relates to the collection of provost robes and chains of office. It would be relatively rare for the authority to purchase, or dispose of, items of civic regalia.

Sewing Machine Collection - there are 813 sewing machines (of various models) included within the sewing machine collection.

Listed Buildings and Scheduled Ancient Monuments - the council holds and maintains listed buildings and ancient monuments of historic significance, many of which are tributes to the war dead. As well as memorial structures and buildings, the council maintains statues and fountains.

Note 19 – Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. The CFR is analysed in the second part of this note.

Notes to the Financial Statements (Cont'd)

Note 19 – Capital Expenditure and Capital Financing (Cont'd)

31-Mar-18 £000	31-Mar-19 £000
464,275 Opening Capital Financing Requirement	514,349
Capital Investment	
88,594 Property, Plant and Equipment	71,453
88,594	71,453
Less Sources of Finance	
3,810 Receipts from sale of assets	3,430
13,322 Government Grants and other Contributions	20,290
0 Transfer to capital fund	(3,430)
7,588 Revenue Contributions	13,349
13,800 Loan Fund Principal Repayments	14,031
38,520	47,670
514,349 Closing Capital Financing Requirement	538,132
0 Increase in Underlying Need to Borrow (Supported)	0
50,074 Increase in Underlying Need to Borrow (Unsupported)	23,783
50,074 Movement in Capital Financing Requirement	23,783

Note 20 – Impairment Losses

Assets are assessed at the end of each financial year for evidence in impairment or a reduction in value. Where indications exist and any possible differences are estimated to be material, the recoverable amount on the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

During 2018/19, the council has recognised impairment losses of £18.249m (2017/18 £15.976m) relating to non-value adding enhancement of various assets. These impairment losses have been charged as appropriate within the Comprehensive Income and Expenditure Statement and the Revaluation Reserve.

Note 21 – Private Finance Initiatives and Similar Contracts

Schools PPP Scheme and Long Term Liability (Design, Build, Finance and Maintain (DBFM) Scheme)

2018/19 was the tenth year of a thirty year public private partnership for provision of three secondary schools and one primary school in Clydebank and Alexandria. 2018/19 was the second year of a twenty-five year DBFM partnership for the provision of one secondary school in Dumbarton.

The council has rights to use the schools for core educational purposes between agreed hours. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The partnership agreement was for the design, build, finance and operation of the schools which means that the contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment need to operate the schools. When the agreement ends, after thirty years, unrestricted use and operation of the buildings will be handed back to the council at nil cost.

The Termination rights are in line with the market norms reflected in the Scottish Standard Schools Contract, as approved by the Scottish Government, prior to financial close.

Notes to the Financial Statements (Cont'd)

Note 21 – Private Finance Initiatives and Similar Contracts (Cont'd)

Property, Plant and Equipment

The school buildings are recognised on the council's balance sheet within property, plant and equipment balance. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in note 15.

Payments

The amounts payable to the PPP and DBFM operators each year is analysed into five elements:

- fair value of the services received during the year;
- finance cost – an interest charge on the outstanding Balance Sheet liability;
- contingent rent – increases in the amount to be paid for the property arising during contract;
- payment towards the liability – applied to write down the Balance Sheet liability towards the PPP contractor; and
- lifecycle replacement costs – proportion of the amounts payable posted to the Balance Sheet as a prepayment and then recognised as additions to property, plant and equipment when the relevant work is carried out.

Payments remaining to be made under the PPP and DBFM contracts at 31 March 2019 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Repayment of Liability	Interest Charges	Operating Costs	Lifecycle Replacement	Total Unitary Payment
	£000	£000	£000	£000	£000
Less than 1 year	3,097	7,403	2,813	788	14,101
2-5 years	13,817	27,135	12,579	4,411	57,942
6-10 years	21,084	27,767	19,004	8,173	76,028
11-15 years	23,568	19,894	23,117	13,687	80,266
16-20 years	33,342	9,471	28,130	13,850	84,793
21-25 years	8,193	888	2,708	1,505	13,294
26-30 years	0	0	0	0	0
PPP Contractual Liability as at 31.03.19	103,101	92,558	88,351	42,414	326,424

Although the payments made to the contractor are described as unitary charge payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

2017/18 £000	2018/19 £000
84,316 Opening Balance	105,914
24,231 New Liabilities	0
(2,633) Repayments	(2,813)
105,914 Closing Balance	103,101

Notes to the Financial Statements (Cont'd)

Note 22 – Debtors

2017/18 £000	2017/18 £000		2018/19 £000	2018/19 £000
		Central government bodies		
50		Grant Income	727	
3,409		VAT Recoverable	3,358	
<u>4,145</u>	7,604	Other Debtors	<u>5,664</u>	9,749
		613 Other local authorities		108
		10 NHS Bodies		2,035
		25 Public Corporations and trading funds		27
		Other Entities and individuals		
11,422		Arrears of local taxation	12,684	
<u>18,091</u>	29,513	Other Debtors	<u>20,982</u>	33,666
	<u>37,765</u>			<u>45,585</u>

Note 23 - Common Good Fund

The council administers the Dumbarton Common Good Fund Account. The Fund is applied for the benefit of the people of Dumbarton. The figures below summarise the income and expenditure for the year as well as the assets and liabilities as at 31 March 2019. The fund does not represent assets of the council and has not been included within the Balance Sheet on page 38.

Income and Expenditure Account

2017/18 £000	Expenditure	2018/19 £000
141	Payments to Other Bodies	169
50	Denny Tank	50
<u>26</u>	General Expenditure	<u>25</u>
<u>217</u>		<u>244</u>
	Income	
(280)	Rent – Sites and Offices	(301)
(7)	Gain on Investments	(293)
<u>(2)</u>	Other Income	<u>(3)</u>
<u>(289)</u>		<u>(597)</u>
(72)	Net (surplus)/deficit for year	(353)
(65)	In Year Usable Gain	(60)
<u>(7)</u>	In Year Un-usable Gain	<u>(293)</u>
<u>(72)</u>		<u>(353)</u>
(344)	Balance brought forward	(409)
<u>(65)</u>	In Year Usable Gain	<u>(60)</u>
<u>(409)</u>	Balance carried forward	<u>(469)</u>

Notes to the Financial Statements (Cont'd)

Note 23 - Common Good Fund (Cont'd)

Balance Sheet as at 31 March 2019

2017/18		2018/19
£000	Fixed Assets	£000
3,194	Investment properties	3,487
	Current Assets	
414	Investments – West Dunbartonshire Council	516
	Current Liabilities	
(5)	Creditors falling due within one year	(47)
3,603	Total assets	3,956
	Funds	
3,194	Capital Adjustment Account	3,487
409	General Fund	469
3,603		3,956

Note 24 – Trust Funds

The council acts as sole or custodian trustee for a number of trust funds, which may be used for various purposes depending on the terms of the Trust. In all cases, the funds do not represent assets of the council and they have not been included within the Balance Sheet on page 38. Under the provisions of the “2005 Act” and the “Accounts Regulations” above, all registered charities in Scotland are required to prepare financial statements which must be externally scrutinised. The trust funds below are registered, under one registration, with the Office of the Scottish Charity Regulator. Management has reviewed the current arrangements for the trust funds to ensure the current arrangements reflect the needs of the council and ensure that all obligations are met. Responsibility for the compliance with the new regulations was delegated to the Strategic Lead - Resources.

Receipts and Payments Account

Receipts	Payments	Deficit		Receipts	Payments	Deficit
£000	£000	£000		£000	£000	£000
(3)	0	(3)	Dunbartonshire Educational Trust Scheme 1962	(1)	0	(1)
			Endowments amalgamated to form trust			
0	0	0	McAuley Prize for Mathematics	0	0	0
			Provide prizes for those studying maths & computing			
(1)	7	6	Alexander Cameron Bequest	(1)	29	28
			To encourage and support one-off community activities in Clydebank			
0	1	1	Dr A K Glen Fund	0	1	1
			Provide outings for Pensioners resident in Dumbarton			
0	2	2	Vale of Leven Fund	0	4	4
			For the people of the Vale of Leven			
0	0	0	UIE Award	0	0	0
			For students studying apprenticeships or training in industry			
(4)	10	6	Total	(2)	34	32

Notes to the Financial Statements (Cont'd)

Note 24 – Trust Funds (Cont'd)

Statement of Balances as at 31 March 2019

	Balance as at 1/4/18 £000	(Surplus)/deficit for year £000	Balance as at 31/3/19 £000
Bank and Cash			
Dunbartonshire Educational Trust Scheme 1962	(89)	(1)	(90)
McAuley Prize for Mathematics	(21)	0	(21)
Alexander Cameron Bequest	(150)	28	(122)
Dr A K Glen Fund	(25)	1	(24)
Vale of Leven Fund	(6)	4	(2)
UIE Award	(24)	0	(24)
Total	(315)	32	(283)

The Trust Funds hold no liabilities.

Note 25 – Net Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in three months or less from date of acquisition and that are readily convertible to known cash amounts, with insignificant risk of change of value. The investments comprise solely of short term lending of surplus funds to a limited number of pre-approved UK banks and other local authorities. All deposits are held in sterling. The carrying amount is the outstanding principal receivable. Bank balances are included in the Balance Sheet at the closing balance in the council's ledger and include cheques payable not yet cashed.

Cash and Cash Equivalents	31-Mar-18 £000	Movement £000	31-Mar-19 £000
Bank Current Account	(1,664)	346	(1,318)
Short term deposits with UK banks	24,006	(9,943)	14,063
Total Cash and Cash equivalents	22,342	(9,597)	12,745

Note 26 – Financial Instruments

1) Types of Financial Instrument

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments":

Notes to the Financial Statements (Cont'd)

Note 26 – Financial Instruments (cont'd)

1) Types of Financial Instrument (cont'd)

	Long-term		Current	
	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-19
	£000	£000	£000	£000
Debtors				
Loans and receivables	34	27	54,614	49,729
Borrowing				
Financial liabilities at amortised cost	260,000	231,084	175,550	218,458
Other long term liabilities				
PPP and finance leases	103,201	100,005	2,713	3,097
Creditors				
Financial liabilities at contract amount	0	0	34,196	46,899

The council does not have any of the following types of investments or borrowings:

- available for sale financial assets;
- unquoted equity investments at cost;
- financial assets at fair value through profit and loss; or
- financial liabilities at fair value through profit and loss.

The council has considered the Code requirements for accounting for financial instruments and the following events have not taken place in 2018/19:

- reclassification of financial assets carrying value between fair value and amortised cost;
- transfer of financial assets where part or all of the financial assets does not qualify for de-recognition;
- pledging of financial assets as collateral or liabilities or contingent liabilities, as a result no carrying or fair value exists;
- recording of impairment losses in a separate account which would require a reconciliation of changes during the year;
- default on any loans payable during 2018/19;
- breaches of long term loan agreements resulting in the liability being classed as current; or
- offsetting of financial assets and liabilities where a legally enforceable right exists and intent to settle is on net basis.

The council has considered the Code requirements for accounting for financial instruments and the following disclosures are consistent with the Code:

- current liabilities are recognised as such even if refinanced post balance sheet or original term greater than twelve months; and
- if the council has the discretion (contractually) and expects to roll forward current liabilities for over twelve months, then the obligation can be treated as long term.

2) Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets (represented by lending and receivables) and financial liabilities (represented by borrowings) and are carried in the Balance Sheet at amortised cost. Fair values have been calculated with reference to the following:

Notes to the Financial Statements (Cont'd)

Note 26 – Financial Instruments (Cont'd)

2) Fair Value of Assets and Liabilities carried at Amortised Cost (cont'd)

Financial Liabilities

- PWLB Loans (Level 2) - For loans from the PWLB premature repayment rates from the PWLB in force on 31 March 2018 have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- Non-PWLB loans (Level 2) - For non-PWLB loans payable, the fair value of market loans are calculated using estimated interest rates of 1.29% which is the average discount rate applied to market loans for calculation of premature repayment. The fair value of local council loans are calculated using estimated interest rates of 0.82% which is the average discount rate applied to local council loans for calculation of premature repayment. Discount rates have been applied to provide the fair value under PWLB debt redemption procedures.
- PFI/Finance leases (Level 3) – These are not the liability of the council as the debt is held by the PFI/lease provider. Fair value have been calculated at level 3 on a simple proxy basis. The same NPV methodology has been applied as for PWLB and non-PWLB debt.

Financial Assets

- Fixed or variable short term deposits of less than a year (including MMF's) – Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

Policy Type Assets

- Long term debtors – Level 2.

Creditors

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Transfers between Levels of the Fair Value Hierarchy

- There were no transfers between input levels 1 and 2 or transfers in or out of level 3 during the year.

Changes in the Valuation Technique

- There has been no change in the valuation technique used during the year for the financial instruments:

31-Mar-18		31-Mar-19	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000 Debtors	£000	£000
54,648	54,648 Loans and Receivables	49,756	49,756

The fair value is equal to the carrying amount because all loans and receivables are either short term or at a fixed interest rate or a variable rate linked to base rate without significant transaction costs. The council does not hold any equity investments in an unquoted market and, therefore, this type of investment is excluded from the above table.

Notes to the Financial Statements (Cont'd)

Note 26 – Financial Instruments (Cont'd)

2) Fair Value of Assets and Liabilities carried at Amortised Cost (cont'd)

31-Mar-18		31-Mar-19	
Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Borrowing			
435,550	606,412	449,543	607,924
Other Long Term Liabilities			
105,914	185,010	103,101	184,291
Creditors			
34,196	34,196	46,899	46,899
Financial liabilities at contract amount			

The fair value is higher than the carrying amount because the council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the council would have to pay if the lender requested or agreed to early repayment of the loans.

The fair value of borrowings and PPP liabilities as at 31 March 2019 are comparable to 2018 reflecting a fairly static market.

A further breakdown of types of borrowing held by the Council as at 31 March 2019 is noted below:

31-Mar-18			31-Mar-19		
Principal outstanding £000	Accrued interest / EIR adjustment £000	Carrying amount £000	Principal outstanding £000	Accrued interest / EIR adjustment £000	Carrying amount £000
13,060	1,308	14,368	10,302	1,125	11,427
0	878	878	0	816	816
152,500	426	152,926	200,500	438	200,938
2,713		2,713	3,097	0	3,097
1,418	31	1,449	1,162	27	1,189
169,691	2,643	172,334	215,061	2,406	217,467
Short Term Loans			Short Term Loans		
145,713	0	145,713	145,774	0	145,774
87,600	1,687	89,287	77,600	1,680	79,280
25,000	0	25,000	5,000	0	5,000
0	0	0	1,031	0	1,031
258,313	1,687	260,000	229,405	1,680	231,085
Long Term Loans			Long Term Loans		

3) Gains and Losses on Financial Instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

Notes to the Financial Statements (Cont'd)

Note 26 – Financial Instruments (Cont'd)

3) Gains and Losses on Financial Instruments (Cont'd)

	31-Mar-18			31-Mar-19		
	Financial Assets: Loans & receivables £000	Financial Liabilities: amortised cost £000	Total £000	Financial Assets: Loans & receivables £000	Financial Liabilities: amortised cost £000	Total £000
Interest (investment)	320	0	320	330		330
Interest payable and similar charges						
Interest/expense*	0	(19,268)	(19,268)	0	(19,359)	(19,359)
Loss on de-recognition	0	(58)	(58)	0	(8)	(8)
Net (Gain)/loss in year	0	(19,326)	(19,326)	0	(19,367)	(19,367)

* Interest/Expense has been calculated on an EIR basis where appropriate for market instruments.

There has been no gain/loss on either of the following classes of financial instruments, as the council does not own them:

- available for sale financial assets; and
- financial assets or liabilities at a fair value through profit and loss.

4) Nature and Extent of Risks arising from Financial Instruments

The council's management of treasury risks actively works to minimise the council's exposure to the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and the associated regulations. During 2018/19 these required the council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and the Local Government Investments (Scotland) Regulations 2010. Overall these procedures require the council to manage risk in the following ways:

- (i) by formally adopting the requirements of the Code of Practice;
- (ii) by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders;
- (iii) by approving annually in advance prudential and treasury indicators for the following three years in limiting:
 - The council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures regarding the maturity structure of debt; and
 - Its maximum annual exposure to investments maturing beyond a year.
- (iv) by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment.

These are required to be reported and approved prior to the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the council's financial instrument exposure. Actual performance is reported to Members to assess the effectiveness of controls established.

The 2018/19 annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 5 March 2018 and is available on the council website. The key issues within the strategy were:

- the authorised limit for 2018/19 was set by Council at that meeting at £637.911m and updated during the year to £650.445m. This is the maximum limit of external borrowing;
- the operational boundary was expected to be £584.752m when reported to Council at that meeting and updated during the year to £596.241m. This is the expected level of debt during the year;

Notes to the Financial Statements (Cont'd)

Note 26 – Financial Instruments (Cont'd)

4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

- the maximum amounts of fixed and variable interest rate exposure were set at 100% and 50% based on the council's net debt; and
- the maximum exposures to the maturity structure of debt is detailed with refinancing and maturity risk.

The council has fully adopted all required CIPFA Codes and statutory regulation currently in force, and maintains written principles for overall risk management, as well as written policies and procedures covering specific areas such as credit risk, liquidity risk, refinancing/maturity risk and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers. It is the policy of the council to place deposits only with a limited number of pre approved UK banks and building societies whose credit rating is independently assessed as sufficiently secure by the council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The council's maximum exposure to credit risk in relation to investments in banks and building societies of £19.405m cannot be assessed on a general basis as the risk of any institution failing to make interest payments or repay principle sums is specific to each individual institution, however, recent experience has shown that the institutions invested in at the year end are unlikely to default on their commitments. A risk of irrecoverability applies to all of the council's deposits but there was no evidence at 31 March 2019 that this was likely to happen.

The following analysis summarises the council's maximum exposure to credit risk on other financial assets, based on past experience and current market conditions.

	Amount at 31.03.19 £000	Historical experience of non- payment adjusted for market conditions at 31.03.19 %	Estimated maximum exposure to default and uncollectibility £000
Customers and other income	34,341	4.36%	1,414

The council does not hold any of the following in relation to financial assets:

- collateral as security in case of default of investment; or
- financial assets that would otherwise be past due or impaired but have been renegotiated.

The council does not generally allow credit for customers, however currently £11.792m is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	2,798
Three to six months	1,243
Six months to one year	1,359
More than one year	6,392
	11,792

Provisions are made in accordance with Code Guidance, whereby a judgement is made regarding the probability of collection for each category of debt. This judgement is based upon the past experience of collecting each category of debt to calculate the appropriate percentage of each debt that may not be eventually recovered.

Notes to the Financial Statements (Cont'd)

Note 26 – Financial Instruments (Cont'd)

4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

No financial assets have been individually determined to be impaired and no collateral is held on past due or impaired financial assets, therefore the council has not obtained financial or non financial assets during the financial year by taking possession of any collateral or calling on other credit enhancements.

Liquidity risk

The council manages its liquidity position through the risk management procedures noted above (i.e. the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow forecast management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The council has ready access to borrowing from the Money Markets to cover any day to day cash flow need if required. The council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures that sufficient funds are raised to cover annual expenditure. There is, therefore, no significant risk that the council will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The council maintains a significant debt portfolio and whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to the maturing of longer term financial liabilities.

The approved treasury indicator limits for the maturity structure of debt are the key parameters used to address this risk and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile as appropriate through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the council's day to day cash flow needs.

The council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. No more than 50% of borrowings are due to mature within any financial year or within any rolling five-year period.

The maturity analysis of financial liabilities is as follows:

	Creditors	PPP	Borrowing	Total
	£000	£000	£000	£000
Less than one year	46,899	3,096	218,459	268,454
Between one and two years	0	3,605	14,499	18,104
Between two and five years	0	10,212	11,575	21,787
More than five years	0	86,188	205,010	291,198
	46,899	103,101	449,543	599,543

Notes to the Financial Statements (Cont'd)

Note 26– Financial Instruments (Cont'd)

4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

Market risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charges on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer.

Changes in market rates also affect the notional “fair value” of lending and borrowing. For example, a rise in interest rates would reduce the fair value of both lending and borrowing at fixed rates. Changes in the fair value of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the council:

- it is the policy of the council to limit its exposure to variable rate borrowing to a maximum of 50% of what it borrows;
- during periods of falling rates and where it is economically advantageous to do so, the council will consider the repayment and restructuring of fixed interest rate debt;
- the council takes advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructurings of existing borrowings; and
- any potential for a financial impact on the council is also significantly limited by the Scottish Government's grant distribution mechanism that automatically adjusts for changes in interest rates in the government grant support the council receives for “loan charges”.

The interest rate profile of the council's borrowing is as follows:

	£000	%
Fixed Interest Debt	444,848	99.0%
Variable Interest Debt	4,695	1.0%
	<u>449,543</u>	

To illustrate the impact of changes in interest rates upon the council, the following table shows the financial effect if rates had been 1% higher at 31 March 2019, with all other variables held constant:

	£000
Impact on tax payers and rent payers	
Increase on interest payable on variable debt borrowings	1
Increase in interest receivable on variable rate investments	(195)
Increase in government grant receivable for 'loan charges'	(53)
Impact on Income and Expenditure Account	<u>(247)</u>
Share of overall impact due credited to the HRA	<u>(108)</u>
Other accounting presentational changes	
Decrease in fair value of fixed rate investments:	0
Decrease in fair value of fixed rate debt borrowings (disclosure confined to notes to the core financial statements)	(95,104)

The impact of a 1% fall in interest rates would be as above but with the changes being reversed.

Notes to the Financial Statements (Cont'd)

Note 26– Financial Instruments (Cont'd)

4) Nature and Extent of Risks arising from Financial Instruments (Cont'd)

Foreign Exchange Risk

The council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

Note 27 – Creditors

2017/18	2018/19
£000	£000
4,797 Central government bodies	9,371
9,080 Other local authorities	10,425
1,627 NHS Bodies	219
12 Public Corporations and trading funds	0
18,680 Other Entities and individuals	26,884
34,196	46,899

Note 28 – Provisions

	Equal Pay	VER/VS	Total
	£000	£000	£000
Opening Provision	317	153	470
Contributions in year	0	118	118
Amounts utilised in year	(84)	(153)	(237)
Unutilised amounts reversed in year	0	0	0
Closing Position	233	118	351

Equal pay claims and single status payments– The council has implemented a Single Status pay structure. This provision is held for possible future equal pay claims through outstanding tribunal cases and revised gradings from the new pay structure.

VER/VS (Voluntary Early Retirement / Voluntary Severance) – This provision was held for known staff accepting a severance or early retiral package with a view to leaving in 2019/20.

Note 29 – General Fund and HRA – Reserves and Earmarked Balances

The council holds reserves on the Balance Sheet in respect of General Fund and HRA brought forward surpluses:

- (1) The General Fund balance stands at £10.998m on 31 March 2019, of which £6.170m is earmarked for ringfenced purposes, leaving an unearmarked balance of £4.828m (prudential target £4.192m).

The main earmarked income held for future specific purposes:

Notes to the Financial Statements (Cont'd)

Note 29 – General Fund and HRA – Reserves and Earmarked Balances (Cont'd)

	£000
Change Fund	2,649
Apprenticeship fund	862
PEF	115
Business Gateway	214
2019/20 Budget	258
Jobs Growth	157
Food 4 Thought	200
Rape Crisis	140
Holiday Hunger Fund	400
Year of Young People Legacy Fund	500
Other Committed Spend (> £0.100m)	675
	<u>6,170</u>

- (2) The HRA balance is currently £1.606m as at 31 March 2019, of which £0.756m is earmarked for ring fenced purposes, leaving an unearmarked balance of £0.850m.

The earmarked balance held for future specific purposes is:-

	£000
Regeneration of the stock	256
Welfare Reform	500
	<u>756</u>

Note 30 – Other Reserves

Reserves are created by appropriating amounts from the General Fund balance in the Movement in Reserves Statement. When expenditure is financed from a reserve, it is charged to the appropriate service to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserve Statement so that there is no net effect on council tax.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the council.

Usable reserves

Usable reserves are those that the council is able to apply to fund expenditure or reduce taxation and comprise of both capital and revenue reserves. Movement in the revenue reserves during the year are outlined in the Movement in Reserves Statement, however, a summary is shown below:

31-Mar-18	31-Mar-19
£000	£000
10,975 General Services	10,998
7,422 Housing Revenue Account	1,606
0 Capital Receipts Reserve	0
314 Capital Grants Unapplied	278
3,269 Capital Reserve	2,847
478 Other Reserves	362
<u>22,458</u> Total Usable Reserves	<u>16,091</u>

Notes to the Financial Statements (Cont'd)

Note 30 – Other Reserves (Cont'd)

General Fund Revenue Reserve

The General Fund is held for services provided by the council through Revenue Support Grant funded through the Scottish Government and council tax. It excludes the Housing Revenue Account. This reserve holds funds not yet spent.

Housing Revenue Account Revenue Reserve

The council is required by the Local Government and Housing Act (Scotland) 1987 to keep a Housing Revenue Account (HRA) which records all revenue expenditure and income relating to the provision of council dwellings and related services. This reserve holds funds not yet spent.

Capital Receipts Reserves

Capital receipts from asset sales are retained within this Reserve and used to fund planned capital expenditure.

Capital Grant Unapplied Reserve

Grants and other contributions given to the council are retained within this Reserve until all conditions agreed by the grant provider are satisfied.

Capital Items Replacement Fund (Other)

This reserve holds funds which are retained and used for the renewal or repair of school non-current assets.

Capital Reserve

This reserve holds funds which are retained for the funding of the Public Private Partnership (PPP) unitary charge for schools regeneration on a specific annual phased amount (also known as the Schools Regeneration Sinking Fund).

Unusable reserves

Unusable reserves are those that the council is not able to utilise to provide services and comprise of:-

31-Mar-18	31-Mar-19
£000	£000
239,753 Capital Adjustment Account	243,308
128,492 Revaluation Reserve	153,968
(126,199) Pension Reserve	(205,215)
(3,239) Employee Statutory Adjustment Account	(3,280)
(14,510) Financial Instruments Adjustment Account	(13,894)
224,297 Total Unusable Reserves	174,887

Capital Adjustment Account

The capital adjustment account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the comprehensive income and expenditure statement (with reconciling postings to the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and enhancement.

The account contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains. The movement in reserve statement provides detail of the source of all the transactions posted to the account.

Notes to the Financial Statements (Cont'd)

Note 30 – Other Reserves (Cont'd)

Capital Adjustment Account (Cont'd)

2017/2018 £000	2018/2019 £000
232,656 Opening Balance	239,753
(32,422) Depreciation	(28,420)
(7,465) Impairment	(23,096)
9,712 Increase in Depreciation Caused by Revaluation	9,972
2,208 Deficit/Surplus on Revaluations	4,112
(107) Assets That Should Have been Deleted	0
1,069 Write off Revaluation Reserve Balance re Disposals	114
(4,405) Disposal of Fixed Assets	(6,791)
13,322 Government Grants Applied	20,290
7,585 Capital Financed by Current Revenue	13,349
13,790 Long Term Debt Payment	14,025
3,810 Capital Receipts Applied	0
239,753 Closing Balance	243,308

Revaluation Reserve

The revaluation reserve contains the gains made by the council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- re valued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

2017/2018 £000	2018/2019 £000
137,666 Opening Balance	128,492
19,291 Unrealised Gains on Revaluation of Assets	53,226
(17,684) Impairments and Losses on Revaluation of Assets	(17,664)
(1,069) Write off Revaluation Reserve Balance re Disposals	(114)
(9,712) Depreciation due to Revaluation of Assets	(9,972)
128,492 Closing Balance	153,968

Pension Reserve

The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post employment benefits in the comprehensive income and expenditure as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However statutory arrangements requires benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible.

Notes to the Financial Statements (Cont'd)

Note 30 – Other Reserves (Cont'd)

Pension Reserve (Cont'd)

The debit balance on the pensions reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/2018 £000	2018/2019 £000
(240,926) Opening Balance	(126,199)
134,863 Actuarial (Loss)/Gain	(49,463)
19,560 Employer Contributions	19,074
(39,696) Reversal of IAS19 Entries	(48,627)
<u>(126,199) Closing Balance</u>	<u>(205,215)</u>

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the general fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the general fund balance is neutralised by transfers to or from this account.

2017/2018 £000	2018/2019 £000
(3,658) Opening Balance	(3,239)
419 Staff Accrual Movement	(41)
<u>(3,239) Closing Balance</u>	<u>(3,280)</u>

Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing difference arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account as at 31 March 2019 will be charged to the General Fund over the next thirty-nine years.

2017/2018 £000	2018/2019 £000
(15,392) Opening Balance	(14,510)
846 Annual Write off of Premiums and Discounts	851
0 New Premiums and Discounts	(243)
36 Annual EIR Adjustment to Stepped Interest Instruments	8
<u>(14,510) Closing Balance</u>	<u>(13,894)</u>

Notes to the Financial Statements (Cont'd)

Note 31 – Contingent Assets or Liabilities

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed as a note to the accounts, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The council has a residual contingent liability relating to those workers who have yet to settle their pay protection claims.

Additionally, the council has a potential contingent liability relating to paid holiday entitlement. UK employers are bound by employment law in relation to the definition of paid holiday entitlement. Case law has clarified that all pay elements intrinsically linked to the performance of a contract of employment should be included in the calculation of holiday pay, including payments made for additional working. The council adjusted the method of calculation in August 2014 (backdated in line with the leave year to April) and has included on-going costs within the long term financial strategy. The legal position remains subject to challenge however, given the action taken, any potential claim by employees for any retrospective payments is likely to be minimal. As a result, whilst recognising there may be such a requirement, it is not possible to quantify such.

The council is not aware of any other contingent assets or liabilities which may be outstanding.

Note 32 – Financial Guarantee

In terms of West Dunbartonshire Leisure Trust's admission to the Strathclyde Pension Scheme, the council has guaranteed to accept liability for any unfunded pension costs should they cease to exist, withdraw from the Scheme or become unable to meet any unfunded liability. The council has not quantified the possible liability.

Movement on the Housing Revenue Account Statement

This statement shows the movement in the year on the housing revenue account reserve. The surplus or (deficit) on the housing revenue account income and expenditure statement is reconciled to the surplus or deficit for the year on the housing revenue account balance, calculated in accordance with the Housing (Scotland) Act 1987.

Re-stated 2017/18 £000	2018/19 £000	2018/19 £000
(6,963) Balance on the Housing Revenue Account at the End of the Previous Year (1)		(7,422)
(7,104) Total Comprehensive Income and Expenditure (2)		(3,395)
(588) Pension Scheme Adjustments	(584)	
(26) Financial Instruments Adjustment	4	
(13) Holiday Pay Adjustment	32	
Reversal of entries included in the Surplus/Deficit on the Provision of Services in (5,885) relation to capital expenditure	(7,648)	
(6,512) Adjustments to the revenue resource (3)	(8,196)	
(203) Net gain or loss on sale of non-current assets	(2,603)	
5,960 Statutory Repayment of Debt (Loans Fund Advances)	6,288	
6,969 CFCR	13,349	
12,726 Adjustments between Revenue and Capital Resources (4)	17,034	
6,214 Total Statutory Adjustments (5)=(3)+(4)		8,838
431 Transfers (to)/from Other Statutory Reserves (6)		373
(459) (Increase)/Decrease in Year (7)=(2)+(5)+(6)		5,816
Balance on the Housing Revenue Account at the end of the Current Year		
(7,422) (8)=(1)+(7)		(1,606)

Housing Revenue Account Income and Expenditure Statement

The HRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. The council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

It should be noted that due to a change in Accounting Practice from 2018/19 onwards, the layout of for sundry bad debt provisions is shown within the 'impairment loss – debtors' below the Net Cost of Service section of the Comprehensive Income and Expenditure Statement. There was no requirement to re-state the relevant figures in 2017/18 for this change.

Re-stated 2017/18 £000		2018/19 £000	2018/19 £000
	Income		
(39,123)	Dwelling Rents (net of voids)	(40,118)	
(286)	Other Rents	(264)	
(2,874)	Other Income	(1,575)	
(42,283)			(41,957)
	Expenditure		
11,968	Repairs and Maintenance	12,221	
10,790	Supervision and Management	10,105	
9,428	Depreciation and Impairment	9,944	
883	Bad/Doubtful Debts	0	
387	Other Expenditure	371	
33,456			32,641
(8,827)	Net Cost of Service as Included in the Council Comprehensive Income and Expenditure Statement		(9,316)
	HRA Share of the Operating Income and Expenditure Included in the Comprehensive Income and Expenditure Statement		
(3,543)	Recognised Capital Income (Grants, Contributions and Donations)	(2,297)	
203	Gain or Loss on the Sale of HRA Non Current Assets	2,603	
5,151	Interest Payable and Similar Charges	5,142	
0	Amortisation of Premiums and Discounts	2	
0	Impairment Loss - Debtors	619	
(88)	HRA Interest and Investment Income	(148)	
1,723			5,921
(7,104)	(Surplus)/Deficit for the year on HRA Services		(3,395)

Notes to the Housing Revenue Account Income and Expenditure Statement

Note 1 - The number and types of dwellings in the council's stock

The council was responsible for managing 10,397 dwellings during 2018/19 (10,457 in 2017/18). The following shows an analysis of these dwellings by type.

Number at 31.03.18	2017/18 Average weekly rent £	Type of Dwelling	Number at 31.03.19	2018/19 Average weekly rent £
2,719	71.84	Two-apartment	2,734	74.98
4,792	74.34	Three-apartment	4,754	77.21
2,628	79.84	Four-apartment	2,590	82.05
311	86.02	Five-apartment	312	87.91
2	88.75	Six-apartment	2	90.52
1	80.83	Seven-apartment	1	82.45
2	88.75	Eight-apartment	2	90.52
2	88.75	Nine-apartment	2	90.52
10,457		Total	10,397	

Note 2 – Dwelling Rents

The £40.118m noted in the Income and Expenditure Statement is the total rental income less voids chargeable for the year of £0.560m (£0.693m in 2017/18). It excludes irrecoverables and bad debts. Average rents were £78.18 per week in 2018/19 (£75.35 per week in 2017/18).

Note 3 –Other Rents

This is the total income received from travelling person site rentals, lock-ups and shops less voids chargeable for the year, but excludes irrecoverables and bad debts. Lost rents from lock-ups in 2018/19 were £0.079m (£0.076m in 2017/18).

Note 4 - Rent arrears

As at 31 March 2019, total rent arrears amounted to £3.519m (£3.468m as at 31 March 2018). This is 8.74% of the total value of rents due at 31 March 2019. It should be noted that the total arrears do not all relate to 2018/19 and the year on year movement in value of arrears is an increase of £0.051m.

Note 5 - Provision for Bad Debts

In the financial year 2018/19, the rental bad debt provision has been increased by £0.041m (£0.443m increase 2017/18). The provision to cover loss of rental income stands at £2.509m as at 31 March 2019 – equivalent of 71.31% (71.18% 2017/18) of the total value of rents due at that date.

Council Tax Account

Council Taxpayers: £33.805m (2017/18 £32.607m)

The Council Tax Income Account (Scotland) shows the gross income raised from council taxes levied and deductions made under Statute. 2018/19 represents the sixth year of operation of the Council Tax Reduction Scheme in Scotland. The Council Tax Reduction Scheme represents a new discount introduced across Scotland following the abolition of Council Tax Benefits as part of the UK government's welfare reform programme. The resultant total net income within the Council Tax Account is transferred to the Comprehensive Income and Expenditure Statement.

2017/18 £000		2018/19 £000
47,828	Gross council tax	49,494
	Less:	
(8,429)	Council Tax Reduction Scheme Discount*	(8,573)
(5,702)	Other discounts and reductions	(6,148)
(840)	Provision for bad and doubtful debts	(853)
(250)	Adjustments for prior years	(115)
32,607	Transfer to General Fund	33,805

The calculation of the council tax base

Band	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	CTRS Discount	Total Dwellings	Ratio to Band D	Band D Equivalent
A(Disabled)	0	0	26	12	0	13	32	200/360	18
Band A	7,897	531	38	4,512	142	3,377	9,349	240/360	6,233
Band B	16,826	536	(9)	7,822	153	5,399	19,319	280/360	15,026
Band C	7,509	181	(5)	2,880	54	1,701	8,208	320/360	7,296
Band D	5,908	101	19	1,795	31	595	5,933	360/360	5,933
Band E	4,580	48	(49)	975	16	198	4,401	473/360	5,378
Band F	1,682	12	(9)	215	10	41	1,640	585/360	2,369
Band G	796	8	(10)	103	5	22	766	705/360	1,276
Band H	66	1	(1)	4	6	0	62	882/360	123
Total									43,652
Provision for bad debt									(712)
Council Tax Base									42,940

The nature and actual amount of each charge fixed

Gross Charges	2017/18 £ per year	2018/19 £ per year
Dwellings fall within a valuation band between 'A' to 'H' which is determined by the Assessor. The council tax charge is calculated using the council tax base i.e. band D equivalents. This charge is then decreased/increased dependent on the band. The band D charge for 2018/19 was £1,197.89.		
	775 Band A	798.59
	905 Band B	931.69
	1,034 Band C	1,064.79
	1,163 Band D	1,197.89
	1,528 Band E	1,573.89
	1,890 Band F	1,946.57
	2,278 Band G	2,345.87
	2,849 Band H	2,934.83

Discounts, Reliefs and Exemptions

A council tax bill is reduced by 25% where a property has only one occupant or 50% where the property is empty. For council tax purposes certain students are not regarded as occupants. Certain properties may also qualify for relief if the property has been adapted for a disabled person. Properties undergoing major renovation or held pending demolition may be awarded exemption from council tax.

*Council Tax Benefit has been replaced by Revenue Support Grant received from the Scottish Government. The result of which has been to reduce the Council Tax Income due by use of a Council Tax Discount Mechanism.

Non Domestic Rates Account

Non-Domestic Rates Income £78.812m (2017/18 £77.334m)

The Non Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non Domestic Rates account. The statement shows the gross income from the rates and deductions made under Statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

Non-Domestic Rates are pooled for Scotland as a whole and redistributed to authorities on a basis which reflects population. West Dunbartonshire Council received £78.812m (2017/18 £77.334m) from the national pool. West Dunbartonshire Council's allocation from the pool now reflects the council's duty to collect Scottish Gas utilities on behalf of all Scottish councils and this equates to £55.458m in year (£53.923m 2017/18). The council's Revenue Support Grant has been adjusted to compensate for this change. In 2012/13 the Scottish Government introduced Business Rates Incentivisation Scheme (BRIS), to incentivise councils to grow their potential business rates tax base and as a result increase rates income, a proportion of which is to be retained by councils. Following a review of the original BRIS by a joint Scottish Government/COSLA Review Group the original scheme was suspended and a revised scheme was introduced in 2014/15. The amount of revised BRIS local targets will be linked only to the buoyancy element of the total estimated NDRI for any one year. This ensures that each council will have the ability to influence their own local tax base. Local provision target for 2018/19 was 1.8% and indications suggest the council is not due any additional income for the year.

The amount deemed to be collected locally was £80.558m (2017/18 £82.419m). The sum actually collected locally and contributed to the pool was £83.046m (2017/18 £81.268m), made up as follows:

2017/18 £000		2018/19 £000
91,604	Gross rates levied	94,260
	<u>Less:</u>	
(8,438)	Reliefs and other deductions	(9,480)
(916)	Provision for bad and doubtful debts	(943)
82,250	Net non-domestic rate income	83,837
(982)	Adjustments for prior years	(791)
81,268	Total Non Domestic Rate Income (before retention)	83,046
0	Non Domestic Rate Income Retained by the Council (BRIS)	0
81,268	Contribution to National Non Domestic Rate Pool	83,046
77,334	Distribution from National Non Domestic Rate Pool	78,812
3,934	Net contribution to/(from) National Non Domestic Rate Pool	4,234
77,334	Net Non Domestic Rate Income to Comprehensive Income & Expenditure Statement	78,812

The non-domestic rates pool operates on a cash accounting basis and as such the non-domestic rate income account within West Dunbartonshire Council is calculated on a similar basis.

Analysis of rateable Values:	£	An explanation of the nature and amount of each rate fixed
Rateable value at 1/4/18	187,617,505	The amount paid for non-domestic rates is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £ announced each year by the government.
Running roll (full year RV)	(1,727,118)	
Rateable value at 31/3/19	185,890,387	The national non-domestic rate poundage set by the First Minister for Scotland for 2018/19 was £0.48.
Less: partially exempt	734,150	
Less: wholly exempt	3,326,825	
Net rateable value at 31/3/19	181,829,412	

Group Accounts

Introduction

The Code of Practice on Local Council Accounting in the United Kingdom (the Code) requires local authorities to consider their interests in all types of entities. This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973, including statutory bodies such as Valuation and Concessionary Travel Joint Boards. Authorities are required to prepare a full set of group accounts in addition to their own council's accounts where they have a material interest in such entities. West Dunbartonshire Council has accounted for its interests in each associate and joint venture using the equity method of accounting.

Combining Entities

The Group Accounts consolidate the results of the council with six other entities:

- Dunbartonshire and Argyll & Bute Valuation Joint Board (VJB);
- West Dunbartonshire Health and Social Care Partnership (HSCP);
- Strathclyde Partnership for Transport (SPT);
- Strathclyde Concessionary Travel Joint Board (SCT);
- West Dunbartonshire Leisure Trust (WDLT); and
- Clydebank Property Company (CPC).

In addition to these entities, the Dumbarton Common Good and Sundry Trust Funds have also been consolidated.

The accounting period for all entities is 31 March 2019.

The council would class an entity as an associate if they have significant influence over the financial and operating policies of the entity. The council would class an entity as a subsidiary if they have control of the entity. The council would class an entity as a joint venture where it has contractually agreed to share control with another party, such as significant decisions require unanimous consent and the joint venturers have rights to the net assets of the arrangement.

Under accounting standards, this council includes the results of three of these organisations as 'associates' because it has a significant influence over their financial and operating policies (namely VJB, SPT and SCT). The council has no shares in, nor ownership of any of these organisations which are entirely independent of the council.

The Joint Boards are independent public bodies formed by an Act of Parliament. All local government functions that relate to these bodies have been delegated from the constituent councils that comprise the area of each Board. The members of each Board are elected Councillors and are appointed by the councils in proportions specified by legislation.

The WDLT, CPC and the Common Good and Trust Funds have been included as subsidiaries.

HSCP has been included as a joint venture.

Basis of Combination and Going Concern

The combination has been accounted for on an acquisition basis using the equity method – that is, the council's share of the net assets and liabilities of each entity is incorporated and adjusted each year by the council's share of the entities' results (recognised in the Group Income and Expenditure Account), and its share of other gains and losses.

For four of the six entities, the council has a share in a net asset. The negative balance on the VJB and the Leisure Trust arise from the inclusion of liabilities related to defined benefit pension schemes as required by IAS19 and FRS102.

Group Accounts (Cont'd)

Basis of Combination and Going Concern (Cont'd)

The effects of inclusion of these entities and the Common Good and Trust Funds on the Group Balance Sheet is to increase reserves and Net Assets by £24.788m – representing the council's share of net assets in these entities.

The Code requires councils to prepare financial statements on a going concern basis. A transfer within public services does not negate the presumption that these bodies are still a going concern.

Thus all entities consider it appropriate that their Financial Statements should follow the 'going concern' basis of accounting. Statutory arrangements with the constituent local authorities for the deficit of the Valuation Joint Board means that the financial position of the Board is assured.

Whilst the Balance Sheet of some entities show negative total assets, this relates primarily to defined benefit scheme pension liabilities in these entities. The financial statements of all individual group entities have been prepared on a going concern basis and, as such, the group accounts have also been prepared on this basis.

Group Accounts (Cont'd)

Group Comprehensive Income and Expenditure Statement

Restated 2017/18 Gross Expenditure £000	Restated 2017/18 Gross Income £000	Restated 2017/18 Net Expenditure £000		2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
			Service			
78,427	(50,967)	27,460	Corporate Services	74,782	(50,931)	23,851
101,915	(9,591)	92,324	Educational Services	112,568	(9,851)	102,717
52,116	(14,374)	37,742	Infrastructure, Regeneration and Economic Development	63,321	(17,422)	45,899
9,341	(4,326)	5,015	Housing and Communities	9,441	(4,451)	4,990
33,456	(42,283)	(8,827)	Housing Revenue Account	32,641	(41,957)	(9,316)
9,699	(6,916)	2,783	Miscellaneous Services	17,248	(7,094)	10,154
153,055	(86,828)	66,227	Health and Social Care Partnership	162,121	(92,273)	69,848
2,481	0	2,481	Requisitions	2,459	0	2,459
7,276	(3,238)	4,038	Subsidiaries	7,879	(3,830)	4,049
447,766	(218,523)	229,243	Net Cost of Service (1)	482,460	(227,809)	254,651
			595 (Gain) / loss on Disposal of Fixed Assets			3,362
			595 Other Operating Expenditure (2)			3,362
			(32,607) Council Tax			(33,805)
			(77,334) Non-Domestic Rates			(78,812)
			(104,165) Revenue Support Grant			(104,759)
			(13,169) Recognised Capital Income (Grants, Contributions & Donations)			(20,254)
			(227,275) Taxation and Non-specific Grant Income (3)			(237,630)
			(156) Interest Earned			(287)
			18,326 External Interest Payable / Similar Charges			19,354
			0 (Gain)/Loss early settlement of borrowing			5
			0 Impairment Loss - Debtors			1,414
			(2,773) Surplus on Trading Undertakings not included in net cost of services			(3,248)
			6,545 Pension Interest Cost/Expected Return on Pension Assets			3,760
			21,942 Finance/Investment Income and Expenditure (4)			20,998
			24,505 (Surplus)/Deficit on Provision of Services			41,381
			(5) = (1)+(2)+(3)+(4)			
			(3,367) Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures			337
			(1,489) (Surplus)/Deficit arising from revaluation of property, plant and equipment			(35,706)
			0 (Surplus)/Deficit on revaluation of available for sale assets			238
			(143,033) Actuarial (gains)/losses on pension fund assets and liabilities			51,217
			(147,889) Other Comprehensive (Income) and Expenditure (6)			16,086
			(123,384) Total Comprehensive (Income) and Expenditure (5)+(6)			57,467

Group Accounts (Cont'd)

Group Movement in Reserves Statement

	Usable Reserves			Unusable Reserves			
	WDC Usable Reserves £000	Group Usable Reserves £000	Total Usable Reserves £000	WDC Unusable Reserves £000	Group Unusable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
2018/19							
Opening Balance at 1 April 2018	(22,458)	(11,878)	(34,336)	(224,297)	(14,600)	(238,897)	(273,233)
Movement in reserve 2018/19							
(Surplus) or deficit on provision of services	41,682	(301)	41,381	14,138	1,672	15,810	57,191
Other Comprehensive Expenditure and Income	(36,118)	333	(35,785)	36,118	(57)	36,061	276
Net Increase/(Decrease) before Transfers to Other Statutory Reserves	5,564	32	5,596	50,256	1,615	51,871	57,467
Transfers to/from other statutory reserves *	803	43	846	(846)	0	(846)	0
Closing Balance at 31 March 2019	(16,091)	(11,803)	(27,894)	(174,887)	(12,985)	(187,872)	(215,766)
2017/18 (Restated)							
Opening Balance at 1 April 2017	(24,679)	(8,279)	(32,958)	(110,346)	(6,545)	(116,891)	(149,849)
Movement in reserve 2017/18							
(Surplus) or deficit on provision of services	24,797	(292)	24,505	(136,363)	(400)	(136,763)	(112,258)
Other Comprehensive Expenditure and Income	(23,351)	(3,471)	(26,822)	23,351	(7,655)	15,696	(11,126)
Net Increase/(Decrease) before Transfers to Other Statutory Reserves	1,446	(3,763)	(2,317)	(113,012)	(8,055)	(121,067)	(123,384)
Transfers to/from other statutory reserves *	775	164	939	(939)	0	(939)	0
Closing Balance at 31 March 2018	(22,458)	(11,878)	(34,336)	(224,297)	(14,600)	(238,897)	(273,233)

*The transfer of statutory reserves is in relation to dividends paid to the council by Clydebank Property Company.

Group Accounts (Cont'd)

Group Balance Sheet

Re-stated 2017/18 £000		2018/19 £000
876,346	Property, Plant and Equipment	932,385
38	Intangible Assets	232
17,566	Investment in associates	18,184
34	Long Term Debtors	27
3,691	Long term Investments	7,987
1,406	Heritage Assets	1,406
899,081	Total Long Term Assets	960,221
9,069	Asset Held for Sale	5,670
988	Inventories	1,079
37,416	Short Term Debtors	45,176
30,812	Cash and Cash Equivalents	19,475
78,285	Current Assets	71,400
(470)	Provisions	(351)
(5,929)	Cash and Cash Equivalents	(4,088)
(34,578)	Short Term Creditors	(47,495)
(171,834)	Short Term Borrowing	(216,711)
(212,811)	Current Liabilities	(268,645)
764,555	Total Assets less Current Liabilities	762,976
(521)	Liabilities in Associates	(1,084)
(257,287)	Long Term Borrowing	(227,988)
(105,914)	PPP & Finance Lease Liabilities	(103,101)
(625)	Provision for liability	(594)
(125,975)	Net Pensions Liability	(207,144)
(1,000)	Capital Grants Receipts in Advance (conditions)	(7,299)
(491,322)	Long Term Liabilities	(547,210)
273,233	Total Assets Less Liabilities	215,766
	Represented by:	
34,336	Usable Reserves	27,894
238,897	Unusable Reserves	187,872
273,233	Total Reserves	215,766

The unaudited Financial Statements were authorised for issue on 26 June 2019 and the audited Financial Statements were authorised for issue on 25 September 2019.

Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
25 September 2019

Group Accounts (Cont'd)

Group Cashflow Statement

The incorporation of the associates and subsidiaries within the group cash flow statement is immaterial, therefore, no cash flow statement is noted within the Group Accounts.

The Council's cashflow is noted on page 39.

Group Accounts (Cont'd)

Notes to the Group Accounts

Note 1 - Details of combining entities

The notes required for the Financial Statements of West Dunbartonshire Council are disclosed separately in the preceding pages. For Strathclyde Partnership for Transport and Concessionary Travel Scheme, although the council holds less than 20% voting rights, it has a significant influence on the bodies. The organisations have voting allocations over 11 other local councils, with no one council holding majority shares, which ensures that all 12 councils can influence decisions. The following notes provide material additional amounts and details in relation to the other combining entities.

Associates and Joint Ventures

Strathclyde Partnership for Transport is the statutory body responsible for formulating the public transport policy on behalf of the 12 local authorities in the West of Scotland. In 2018/19, the council contributed £1.605m (2017/18 £1.609m) or 4.39% (2017/18 4.39%) of the Board's estimated running costs and its share of the year end net asset of £14.541m (2017/18 £14.429m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

Strathclyde Concessionary Travel Scheme Joint Board oversees the operation of the concessionary fares scheme for public transport on behalf of the 12 local authorities in the West of Scotland. The costs of the scheme are funded through requisitions from the 12 councils and by the Scottish Executive via a 'section 70' grant. In 2018/19, the council contributed £0.171m (2017/18 £0.175m), 4.19% (2017/18 4.19%) of the Board's estimated running costs and its share of the year end net asset of £0.053m (2017/18 £0.065m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

Dunbartonshire and Argyll and Bute Valuation Joint Board was formed in 1996 at local government re-organisation by an Act of Parliament. The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of West Dunbartonshire, East Dunbartonshire and Argyll and Bute. The Board's running costs are met by the three authorities, with surpluses and deficits on the Board's operations also shared between the councils. In 2018/19, the council contributed £0.688m (2017/18 £0.694m) or 26.95% (2017/18 26.95%) of the Board's estimated running costs and its share of the year end net liability of £1.084m (2017/18 £0.521m) is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Treasurer to the Valuation Joint Board, 16 Church Street, Dumbarton G82 1QL.

The West Dunbartonshire Health & Social Care Partnership - the Public Bodies (Joint Working) Act (Scotland) 2014 sets out the arrangements for the integration of health and social care across the country. The Scottish Government approved the Integration Scheme for West Dunbartonshire which details the 'body corporate' arrangement by which NHS Greater Glasgow & Clyde Health Board and West Dunbartonshire Council agreed to formally delegate health and social care services for adults and children (including criminal justice, social work services) to a third body, which is described in the Act as an Integration Joint Board. The Integration Joint Board for West Dunbartonshire is known as the West Dunbartonshire Health & Social Care Partnership Board (HSCP Board) and started operations on 1 July 2015. The Board's running costs are met by the two bodies mentioned above, with surpluses and deficits on the Boards operations also shared between them. In 2018/19, the council contributed £64.895m towards estimated running costs and its share of the year end net asset of £3.590m is included in the Group Balance Sheet. Copies of its accounts may be obtained from the Chief Financial Officer to the Integration Joint Board, 16 Church Street, Dumbarton G82 1QL.

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

Note 1 - Details of combining entities (Cont'd)

The council's share of its associates and joint ventures are as follows:

	Strathclyde Partnership for Transport £000	Strathclyde Concessionary and Travel Scheme Joint Board £000	Dunbartonshires and Argyll and Bute Valuation Joint Board £000	West Dunbartonshire Health & Social Care £000	Total £000
2018/19					
Surplus/ (Deficit) on					
Operating Activities	539	(12)	(204)	519	842
Non Current Assets	10,965	0	171	0	11,136
Current Assets	7,821	89	184	3,590	11,684
Non Current Liabilities	(3,089)	0	(1,406)	0	(4,495)
Current Liabilities	(1,155)	(36)	(33)	0	(1,224)
2017/18					
Surplus/ (Deficit) on					
Operating Activities	4,008	(5)	(148)	287	4,142
Non Current Assets	9,313	0	173	0	9,486
Current Assets	7,713	103	185	3,071	11,072
Non Current Liabilities	(1,681)	0	(846)	0	(2,527)
Current Liabilities	(915)	(38)	(33)	0	(986)

Subsidiaries

West Dunbartonshire Leisure Trust was formed in December 2011 and started trading on 5 April 2012. The Trust is a charitable company registered in Scotland and provides leisure facilities within the West Dunbartonshire area to the general public and operates sports centres, leisure centres, swimming pools, halls and community education centres owned by the council. The Trust is paid a management fee by the council for the provision of these services. The Trust's net asset at 31 March 2019 was £0.234m (2017/18 £2.228m net asset) and its surplus for the year was £0.160m (2017/18 £0.272m surplus). The accounts of the Trust are published separately and can be obtained from the Manager, Leisure Trust Headquarters, Alexandria CE Centre, Alexandria, G83 0NU which is also the company's principal place of business.

Clydebank Property Company was part of a group organisation previously known as Clydebank Rebuilt which was a pathfinder urban regeneration organisation, limited by guarantee and included a commercial letting company (industrial units) and a registered charity (the Titan Trust). On 11 August 2014, following the transfer of the Titan Crane to the Property Company, the council bought the commercial letting company with a view to continuing its regeneration objective. The Company's net asset at 31 March 2019 was £3.294m and its deficit for the year before payment of a dividend was £0.028m (2017/18 £0.047m surplus). The accounts of the Company are published separately and can be obtained from the Company's Headquarters, Titan Enterprise, 1 Aurora Avenue, Queen's Quay, Clydebank G81 1BF which is also the Company's principal place of business.

Dumbarton Common Good is held in Trust by West Dunbartonshire Council. Although the council does not contribute to this fund financially, it has been included within the council's Group through materiality by nature. Net usable income in 2018/19 was £0.060m (2017/18 £0.065m).

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

Note 1 - Details of combining entities (Cont'd)

Trust Funds are held in Trust by West Dunbartonshire Council. Although the council does not contribute to these funds financially, they have been included within the council's Group through materiality by nature. The net movement in funds in-year was a decrease of £0.032m (2017/18 £0.006m decrease) for the Trust Funds. For the purposes of the Group Accounts, two Trust Funds managed by the council (Dunbartonshire Educational Trust and McAulay Prize for Mathematics Trust) have been included pro rata to the council's share. This has resulted in 2017/18 re-statement of the Group Accounts. Copies of the accounts may be obtained from West Dunbartonshire Council, 16 Church Street, Dumbarton G82 1QL.

The council's subsidiaries year end results are as follows:

	West Dunbartonshire Leisure Trust £000	Clydebank Property Company £000	Common Good £000	Trust Funds £000	Total £000
<u>2018/19</u>					
Surplus/ (Deficit) on Operating Activities	160	(28)	60	(32)	160
Non Current Assets	1,064	4,004	3,487	0	8,555
Current Assets	2,845	427	516	204	3,992
Non Current Liabilities	(1,929)	(594)	0	0	(2,523)
Current Liabilities	(1,746)	(543)	(47)	0	(2,336)
<u>2017/18 (Re-stated)</u>					
Surplus/ (Deficit) on Operating Activities	272	47	72	(6)	385
Non Current Assets	634	4,165	3,194	0	7,993
Current Assets	2,995	269	414	238	3,916
Non Current Liabilities	224	(625)	0	0	(401)
Current Liabilities	(1,625)	(444)	(5)	0	(2,074)

Note 2 – Non-Material Interest in Other Entities

The council has an interest in a number of other organisations. The council's share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the council. Accordingly, the Group Accounts do not include these organisations. Under Accounting Regulations, the council is required to disclose the business nature of each organisation.

Scotland Excel is a joint committee established through Section 57 of the Local Government (Scotland) Act 1973. The main purpose of the committee includes co-ordination of collaborative buying initiatives, representation of interests in public sector contracts, and the development and operation of a centre of procurement expertise for Local Government in Scotland.

Clydebank Municipal Bank is a company limited by shares set up based upon the Companies Act 1908 and 1913. It acts as banker for a number of private individuals/organisations. The council provides services to the bank and funds any annual losses incurred. The bank's year end is 5 April. The principal business of the Municipal Bank is to accept deposits from private account holders and to invest funds with West Dunbartonshire Council. The chairman and directors of the bank are Elected Members of the Council. As per the bank's unaudited financial statements at 31 March 2019, 2,471 accounts were held with the bank (2017/18 2,463), with a total amount on deposit of £1.345m (2017/18 £1.234m), with £1.131m being invested with the council (2017/18 £0.861m). Interest paid by the council to the bank in the year was £0.028m (2017/18 £0.021m).

Group Accounts (Cont'd)

Notes to the Group Accounts (Cont'd)

Note 2 – Non-Material Interest in Other Entities (Cont'd)

Hub West of Scotland is a public private Joint Venture development organisation established in 2012. They work with the public sector partners to plan, design, build, and fund and maintain buildings in the most efficient and effective manner delivering better value for money and ultimately improving public services. Hub West of Scotland comprises: Hub West Territory Participants, Scottish Futures Trust and The Wellspring Partnership.

Business Loans Scotland Ltd was formed in March 2017 with 27 Scottish local authorities full members, including West Dunbartonshire Council, and the remaining 5 Scottish local authorities becoming associate members. In this respect, each member local council provides a level of loan finance for companies in their area under Phase 1, augmented in Phase 2 by Scottish Growth Scheme and European Regional Development Funding (ERDF).

Note 3 – Financial Impact of Consolidation

The effect of inclusion of the entities on the Group Balance Sheet is to increase reserves and net assets by £24.788m (2017/18 £26.478m – re-stated) respectively representing the council's share of the realisable surpluses/deficits in these organisations. This leaves the group account with an overall net asset of £215.766m (2017/18 £273.233m re-stated).

Note 4 – Analysis of Material Amounts in Income and Expenditure Account

The following table provides an analysis of the council's share of the material amounts as a result of the inclusion of the associates and subsidiaries.

Contribution to Group Income and Expenditure Reserve:

Re-stated 2017/18 £000	2018/19 £000
14,429 Partnership for Transport	14,541
65 Concessionary Travel Board	53
(521) Valuation Joint Board	(1,084)
3,071 West Dunbartonshire Health & Social Care	3,590
2,228 West Dunbartonshire Leisure Trust	234
3,365 Clydebank Property Company	3,294
3,603 Common Good	3,956
238 Trust Funds	204
26,478 Total	24,788

General Accounting Policies

Note 33 - Accounting Policies

1. General Principles

The Financial Statements summarises the council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. The council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the code") and the Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Financial Statements is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The convention also adopts the assumption that the council will continue as a going concern for the foreseeable future.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when payment is made or received. In particular:

- revenue from sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser and when it is probable that the economic benefits associated with the transaction will flow to the council;
- revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and when it is probable that the economic benefits associated with the transaction will flow to the council;
- expenses in relation to services received are recorded as expenditure when the services are received, rather than when payment is made;
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption their value is carried as inventories on the Balance Sheet;
- interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than on cash flows fixed or determined by the contract;
- where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and charged to revenue for the income that might not be collected; and
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

3. Changes in Accounting policies, Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, events or conditions on the council's financial position or performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative figures, as if the new policy has always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years only.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative figures.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

4. Charges to Revenue for Property, Plant and Equipment

Council Services and Trading Accounts are debited/ credited with the following amounts to record the cost of using or holding fixed assets during the year:

- depreciation, attributable to the assets used by the relevant service or trading account;
- revaluation and impairment losses, where there is no accumulated gain in the Revaluation Reserve;
- revaluation gains, where these reverse an impairment loss previously charged to the service or trading account; and
- amortisation of intangible fixed assets.

The council is not required to raise council tax to cover depreciation, revaluation gains or losses or impairment losses. However, it is required to make annual provision from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are replaced by the revenue provision in the General Fund by an adjustment within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. Intangible assets

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the council's goods or services.

Assets are measured originally at cost and only revalued where the fair value of the asset can be determined by reference to an active market.

Where an intangible asset has a finite useful life, the depreciable amount of the asset is charged over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is recognised in the Surplus or Deficit on the Provision of Services when the asset is derecognised.

6. Property, Plant and Equipment

Assets that have physical substance and are held for the supply of goods and services, either directly or indirectly, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the asset can be measured reliably. Expenditure that maintains, but does not add to the asset's potential to deliver future economic benefits or service potential, is charged as an expense when it is incurred.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

6. Property, Plant and Equipment (Cont'd)

Measurement

Initially measured at cost, comprising of:

- purchase price;
- any costs associated with bringing the asset to the location or condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of costs for dismantling and removing the item and restoring the site on which it is located to its original state.

The council does not capitalise borrowing costs incurred during construction of an asset.

Where property, plant or equipment are acquired in exchange for a non monetary asset or assets, or a combination of monetary and non monetary assets, the cost of the acquired item shall be measured at fair value unless there is no economic substance to the exchange transaction, or the fair value of neither the asset received nor the asset given up can be reliably measured. The acquired item is measured at fair value even if the council cannot immediately derecognise the asset given up. The acquired item is measured at the carrying amount of the asset given up if it is not measured at fair value.

Assets are then carried in the Balance Sheet using the following measurement bases:

Asset Type	Valuation Method
Infrastructure, community and assets under construction assets	Historic Cost
Council dwellings	Fair value - determined in accordance with existing use value of social housing (EUV-SH)
Other buildings	Fair value. Where there is no market based evidence of fair value because of the specialised nature of the asset and the asset is rarely sold, depreciated replacement cost is used as an estimate of fair value
Plant and equipment and other non property assets	Fair value. Where assets in this class have either short useful lives or low values (or both), depreciated historical cost is considered to be a proxy for fair value where the useful life is a realistic reflection of the life of the asset and the depreciation method provides a realistic reflection of the consumption of the asset class

Revaluation

Assets included in the Balance Sheet at fair value are re-valued regularly to ensure their carrying amount is not materially different from the fair value at the year end, as a minimum every 5 years. The programme of revaluation for 2018/19 and planned each of the following four years is as follows:

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

6. Property, Plant and Equipment (Cont'd)

2018/19	Schools/school houses/ social work homes/adult training centres/ community education centres/early education centres;
2019/20	Halls/ Public conveniences/ libraries/ outdoor centres/ golf course/ pavilions/ sports centres/ swimming pools/ travellers site/ car parks;
2020/21	Any properties not previously re-valued / general re-appraisal / HRA housing stock;
2021/22	Offices / depots/ cemeteries/ crematorium lodges; and
2022/23	All council non-operational properties.

In addition to assets being revalued within the programme of revaluation assets will be revalued in any given year if any of following 3 criteria is met:

- When the historic cost of the building is less than £2m but the combined value of the building historic cost and any enhancement expenditure incurred since the last revaluation date exceeds £2m then the asset will be revalued and (if new valuations exceeds £2m) componentised if necessary;
- Where the historic cost of the building exceeds £2m (and is therefore already componentised) and where any enhancement expenditure incurred since the last revaluation date exceeds 25% of the historic cost of the building then the asset will be revalued; and
- Where the combined value of building historic cost and any enhancement expenditure incurred since the last revaluation date spend is less than £2m but the value of the enhancement expenditure exceeds 50% of building historic cost and in value is more than £0.500m then the asset will be revalued.

Valuations in 2018/19 have been carried out by an external valuer. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted by:

- where a balance of revaluation gains for the asset is held in the Revaluation Reserve – the carrying amount of the asset is written down against that balance (up to the total gain); or
- where no balance of revaluation gains for the asset is held in the Revaluation Reserve – the carrying amount is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Where impairment losses are identified, they are accounted for in the same way as revaluation decreases.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

6. Property, Plant and Equipment (Cont'd)

Disposals

When it becomes apparent that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is re-classed as either a surplus asset or an Asset Held for Sale. The asset is re-valued immediately before re-classification and then carried at the lower of this amount and the fair value less sale costs.

Assets to be scrapped are not re-classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, both the carrying amount in the Balance Sheet and receipts from disposal are transferred to the Surplus and Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement as part of a gain or loss on sale. Any revaluation gains accumulated for the asset in the Revaluation reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is credited to either the Capital Receipts Reserve or the Capital Fund and can only be used for new capital investment, set aside to reduce the council's underlying borrowing requirement, to fund the principal element of loan charges or to fund premium charges. Receipts are appropriated to these reserves from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax. It is appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided on all property, plant and equipment over their useful economic lives, with an exception made for assets without a determinable finite useful life (i.e. non depreciating land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

The useful lives of assets have been revised during 2018/19 and estimated and advised by suitably qualified officers of the council with appropriate expertise, are as follows:

Council dwellings	10 to 80 years	straight line
Other buildings	15 to 80 years	straight line
Regeneration activity	10 to 120 years	straight line
Open spaces	10 to 120 years	straight line
Infrastructure	15 to 120 years	straight line
Vehicles, plant, equipment	5 to 20 years	straight line
Intangibles	5 to 10 years	straight line
Other	10 to 120 years	straight line

* Including components such as structure, mechanical and electrical, etc.

This change in policy has been applied prospectively for property assets that have been revalued during 2018/19 and for all other assets that are newly depreciated in 2018/19.

Where an item of property, plant and equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current depreciation charged on assets and the depreciation that would be chargeable based upon historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

6. Property, Plant and Equipment (Cont'd)

Tangible fixed assets and depreciation – Common Good Assets

All assets valued over £6,000 are capitalised and valued at market value. Depreciation is charged on assets other than Investment assets on a straight line basis over their estimates life. The Fund only holds investment assets.

7. Assets Held for Sale

These assets are measured at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length, less costs to sell at the initial classification and at the end of each reporting date. Revaluation gains shall be recognised for any initial or subsequent increase in fair value less costs to sell but not in excess of the cumulative impairment loss or revaluation loss that have been recognised in the Surplus or Deficit on the Provision of Services. Impairment losses (or revaluation losses) will be recognised for any subsequent decrease to fair value less costs to sell following reclassification in the Surplus or Deficit on the Provision of Service even where there is a balance on the assets Revaluation Reserve.

8. Heritage assets

Heritage assets are presented separately in the balance sheet from other property, plant and equipment. The assets are measured at historic cost or fair value. Where the council considers that it is not practical to obtain a reliable valuation, the asset is not recognised on the Balance Sheet. Where assets are measured at fair value, valuations are made by any method that is appropriate:

Type of asset	Valuation method for Balance Sheet purposes
Ship models/ Silver and Commemorative wear	The last formal valuations were by Bonhams, Sotheby's and Phillips. Further formal valuations will be commissioned where it is considered that there could potentially be a material change in value and where the value of the asset is estimated to be in excess of £10,000
Works of art	The last formal valuations by Bonhams, Sotheby's and Phillips. Where a lower and upper valuation has been provided the mid valuation has been used. Further formal valuations will be commissioned where it is considered that there could potentially be a material change in the value of the assets held
Civic Regalia	The robes are not recognised on the balance sheet as they are considered to have no significant value. However the chains are reported in the balance sheet at insurance value.
Sewing Machine Collection	These collections are not recognised on the balance sheet as cost information is not readily available. Nearly all the items are believed to have an immaterial value.
Listed Buildings and Scheduled Ancient Monuments	These assets are not recognised on the balance sheet as it is considered that there is a lack of available, comparable market values to establish a 'fair value'. It is unlikely that the council would procure such assets but is more likely to refurbish or enhance existing structures. In this respect, the cost of those works will be capitalised at cost.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

9. Construction Contract (Work in Progress)

Purchased assets are initially recognised at cost and donations are recognised at valuation where that value is estimated to be greater than the threshold of £10,000 as specified above. The carrying amounts are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the council's general policies on impairment.

No depreciation shall be chargeable on any heritage asset, in view of the indeterminate life and residual value.

The proceeds from any disposal of heritage assets are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment.

Work in progress is valued at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

10. Employee Benefits

Benefits payable during employment

Short term employee benefits (i.e. fall due within 12 months of the year-end), such as wages and salaries, paid leave, paid sick leave, bonuses and non monetary benefits for current employees are recognised as an expense in the year in which the employees render service to the council. An accrual is made against the services in the Surplus or Deficit on the Provision of Service for the costs of holiday entitlement and other forms of leave earned by the employee but not taken before the year end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out of the General Fund balance by a credit to the Statutory Mitigation Account in the Movement in Reserves Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision made by the council to terminate an officer's employment before the normal retirement date or an officer's decision to accept a voluntary termination package in exchange for those benefits. Termination benefits do not provide the council with future economic benefits and consequently they are recognised on an accruals basis immediately in the Surplus or Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Account when the authority is demonstrably committed to provision of the termination benefits.

Where termination benefits involve the enhancement of pensions, they are treated as pension costs for the purpose of the statutory transfer between the Pension Reserve and the General Fund of the amount by which the pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations. In the Movement in Reserves Statement appropriations are required to and from the Pension Reserve to remove notional debits and credits for termination benefits related to pensions enhancements and replace them with the cost of the cash paid, including any amounts due and not paid at the year end.

Post Employment Benefits

Employees of the council are members of two separate defined pension schemes:

- the Teachers' Pension Scheme, administered by the Scottish Pensions Agency; and
- the Local Government Pensions Scheme, administered by Glasgow City Council.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

10. Employee Benefits (cont'd)

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the council to the pension fund or directly to pensioners in the year, not the amount calculated in accordance to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove any notional debits and credits for retirement benefits and replace them with the cash paid or payable at the year end, to the pension fund and pensioners. The negative balance that arises on the Pension Reserve measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Discretionary Benefits

The council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) arising from the use of these discretionary powers are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the local government pension scheme.

11. Events after the reporting period

Events after the reporting period are those events (both favourable and unfavourable) that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types have been identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect this; and
- those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect this. However, if the event is material, a disclosure is made within the notes of the nature and financial effect.

12. Exceptional items

When items of income and expenditure are material, their nature and amount is disclosed separately, either within the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the council's financial performance.

13. Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowing that the council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

13. Financial liabilities (Cont'd)

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the General Fund balance to be spread over future years. Premiums and discounts that were on the balance sheet as at 31 March 2007 are written off in accordance with the schedules in place at that time, however premiums and discounts that are incurred as a result of transactions that have taken place since 1 April 2007 are written off in accordance with regulations as follows:

Modified Loans

- both old and new premiums and discounts are amortised over the life of the new loan using the effective interest rate as noted above.

Unmodified Loans

- new premiums and discounts are written off over the life of the new loan (if fixed) or over a maximum of 20 years (if variable or with an option to vary);
- old premiums are written off over a maximum of 20 years; and
- old discounts are written off over a maximum of 5 years.

Straight Repayment

- both old and new premiums and discounts are written off over a maximum of 5 years.

14. Financial Assets

Financial assets are classified using a principles based approach with the accounting treatment being determined by both the particular characteristics of the individual instrument and the overarching investment strategy under which the instrument has been acquired or originated. Three classes of financial asset have been identified:

- amortised cost;
- fair value through other comprehensive income; and
- fair value through profit or loss

Amortised Cost

For assets carried at amortised cost interest is credited (using the effective interest rate) and movements in impairment loss allowances are debited or credited to surplus or deficit on the provision of services with no recognition of gains or losses in fair value until reclassification or derecognition of the asset.

Fair Value Through Other Comprehensive Income

For assets carried at fair value through other comprehensive income movements in amortised cost are debited or credited to the surplus or deficit on the provision of services with movements in fair value debited or credited to other comprehensive income and expenditure.

Fair Value Through Profit or Loss

For assets carried at fair value through profit or loss all gains or losses are posted to surplus or deficit on the provision of services as they arise.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

14. Financial Assets (Cont'd)

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables

Loans and receivables are recognised on the Balance Sheet when the council becomes party to the contractual provisions of a financial instrument and initially measured at fair value.

They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Where considered material movements in impairment loss allowances are also debited or credited as appropriate. For most other the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where soft loans are made and are material, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service line) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the community groups, with the difference increasing the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year – the reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Instruments entered into since 1 April 2006

Any financial guarantees the council has committed to since 1 April 2006 have been recognised at fair value and assessed for probability of the guarantee being called and the likely amount payable under the guarantee. Any material provision for this has been recognised in the Financial Statements to the extent that provisions might be required or a contingent liability note is needed.

15. Fair Value Measurement

The council measures some of its non-financial assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

15. Fair Value Measurement (Cont'd)

When measuring fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – unobservable inputs for the asset or liability.

16. Government grants and contributions

Government grants and other contributions are recognised as due by the council when there is reasonable assurance that:

- the council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Account until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified for future economic benefit or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has not yet been used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

17. Inventories

Inventories are held by a number of council services, such as asset maintenance services, roads, services, school technician services, hospitality services, etc., and include consumable stock and work in progress, where appropriate.

Consumable stock is included in the Balance Sheet on a cost price basis, with inventory quantities based on physical stock at the end of the year.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

18. Leases

Leases are classified as finance leases where the terms transfer substantially all the risks and rewards incidental to ownership from the lessor to the lessee. All other leases are classified as operational. Where the lease covers both land and buildings, the elements are considered separately for classification.

Council as Lessee

Finance Leases

Assets held under finance lease are recognised in the Balance Sheet at the start of the lease at its fair value at the lease's inception, or, if lower the present value of the minimum lease payments. The asset recognised is matched by a liability for the obligation to pay. Initial direct costs are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged to revenue in the years they incur. Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability; and
- a finance charge (debited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

Assets recognised under the finance lease are accounted for using the policies applied generally to council owned assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight line basis over the life of the lease, even if it does not match the pattern of payment.

Council as Lessor

Finance Leases

When the council grants a finance lease over an asset, the asset is written out of the Balance Sheet as a disposal. At the start of the lease the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain/loss on disposal. A gain, representing the council's net investment in the lease is credited to the same line in the Comprehensive Income and Expenditure Statement, matched by a lease asset in the Balance Sheet. Lease rentals receivable are apportioned between:

- a receipt for the acquisition of the interest in the asset – applied to write down the lease asset (together with any premiums received); and
- finance income (credited to the Financing and Investment income and Expenditure line in Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amounts due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element of the charge for the acquisition

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

18. Leases (Cont'd)

of the interest in the asset is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of the disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases

Where the council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if it doesn't match the pattern of payment.

19. Overhead and support services

The costs of overheads and support services are charged to non General Fund services that benefit from the supply in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2018/19. The total absorption costing principle is used – the full cost of overheads and support services are shared between those users in proportion to the benefits received. General Fund Services have not been charged for these support service costs, in line with the council's budgetary reporting structure.

20. Public private partnership (PPP) and similar contracts

PPP and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the private contractor. As the council is deemed to control the services that are provided under the PPP scheme and as ownership of the property, plant and equipment will pass to the council at the end of the contract for no additional charge, the council carries the asset on its Balance Sheet.

21. Provisions

Provisions are made where an event has taken place that gives the council a legal obligation or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of that obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year the council becomes aware of the obligation and measured at the best estimate at the Balance Sheet date, taking account of relevant risks and uncertainties.

When payments are made they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less probable that a transfer of economic benefits is required; the provision is reversed and credited back to the relevant service.

22. Interest in Companies and Other Entities

The council has material interests in companies and other entities that have the nature of associates/ subsidiaries and require it to prepare group accounts. In the council's own single entity accounts, the interests of two companies are recorded as an investment in the Balance Sheet, as the council has shares and full ownership of the Clydebank Property Company (purchased during 2014/15) and has an investment with Hub West Scotland (invested 2015/16). No other interests are recorded in the council's single entity accounts of any of other organisation.

General Accounting Policies (Cont'd)

Note 33 - Accounting Policies (Cont'd)

23. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue and Customs. VAT receivable is excluded from income.

Note 34 – Accounting Standards that have been issued but have not yet been adopted

For 2018/19, the Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- IAS40 – Investment Property: Transfers of Investment Property – this clarifies guidance regarding transfers in/ out of investment properties where there is evidence of a change in use and the asset now meets (or ceases to meet) the definition of an investment property;
- Improvements to IFRS Standards 2014 to 2016. This includes:
 - IFRS1 – alleviates concerns regarding the deletion of short term exemptions for first time adoption of International Financial Reporting Standards;
 - IFRS12 – applies to the disclosure requirements of an entity's interests which are classified as held for sale/ distribution or as a discontinued operation, in accordance with IFRS5 (Non-current Assets Held for Sale and Discontinued Operations);
 - IAS28 – clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity is available for each individual investment in an associate or joint venture, upon initial recognition;
- IFRIC22 – Foreign Currency Transactions and Advanced Consideration – this applies to foreign currency transactions where a non-monetary asset or liability arises from either a payment or a receipt of an advanced consideration, before recognition of the related asset, expense or income;
- IFRIC23 – Uncertainty over Income Tax Treatments – this clarifies the accounting uncertainties in income taxes and should be used when determining taxable profits/loss, tax bases, unused tax losses/ credits and tax rates where there is an element of uncertainty over income tax treatment under IAS12; and
- IFRS9 amendments – Financial Instruments (prepayment features with negative compensation) – this alters the existing requirements in IFRS9 regarding termination rights in order to allow measurement at amortised cost.

It is not anticipated that the above changes will have a material impact on the information provided in the financial statements.

The Code requires implementation of these from 1 April 2019 and therefore there is no impact on the 2018/19 Statement of Accounts.

Note 35 – Critical Judgement in Applying Accounting Policies

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies set out in Note 32. Where a critical judgement has been made, this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect are detailed below:

Holiday Entitlement - Unused holiday entitlement earned at 31 March 2019 but not taken at that date has been quantified on the basis of a sample of all non term time staff. The sample is proportionate to the number of staff within each grade. The calculation in respect of unused annual leave for term time employees is based upon entitlement earned at the year end and no estimation was required for these staff.

General Accounting Policies (Cont'd)

Note 35 – Critical Judgement in Applying Accounting Policies (Cont'd)

Public Private Partnership (PPP) - The council has entered into a PPP for the provision of educational buildings, their maintenance and related facilities. The council controls the services provided under the scheme and ownership of the schools will pass to the council at the end of the contract for no additional charge. The assets used to provide services at the schools are recognised on the council's Balance Sheet.

Public Sector Funding – There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets held might be impaired as a result of a need to close facilities and reduce levels of service provision.

Note 36 - Group Accounting Policies: Disclosure of differences with main Statement of Accounting Policies

The financial statements in the Group Accounts are prepared in accordance with the accounting policies set out in Note 33 on pages 104 to 117 with additions and exceptions noted below:

Group Income and Expenditure Account

Proceeds from disposal of fixed assets – profits and losses from the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account within the net cost of services. The proceeds are then appropriated out after net operating expenditure. For those proceeds associated with the disposal of the council's assets, appropriation is to the Group Reserves. For those proceeds associated with the disposal of associates' assets, appropriation is to the Group Income and Expenditure Reserve.

Group Balance Sheet

Inventories – valuation methods vary slightly across the Group. The council uses cost price basis. The difference in valuation methods does not have a material impact on the results of the group given the levels of stock held within the organisations; and

Pensions – West Dunbartonshire Leisure Trust complies with the Financial Reporting Standard FRS102 concerning the disclosure of information on pensions. There is no difference in the Profit and Loss Account by using this method in comparison with IAS19 (which is used by other group entities) therefore there is no impact on the results of the group.

Glossary of Terms

While much of the terminology used in this report is self explanatory, the following additional definitions and interpretation of the terms used are provided for assistance. The Glossary of Terms does not comprise part of the audited financial statements.

1. **Employee benefit expenses**
This includes salaries, wages, overtime, bonus, enhancements, pensions, employer's national insurance, travelling and subsistence expenses and other staff allowances.
2. **Other service expenses**
This includes:
 - property costs (e.g. rent, rates, insurance, repairs and maintenance, upkeep of grounds, heating and lighting);
 - supplies and services (e.g food, materials, books, uniforms and protective clothing, purchase/ maintenance of equipment);
 - transport costs (e.g. fuel, repairs and maintenance, tyres, licences, insurance and procurement of transport for school children);
 - administration costs (e.g. printing and stationery, advertising, postages, telephone costs);
 - Payments to Other Bodies (e.g. grants and payments to individuals, organisations and agencies providing services complementing or supplementing the Council's work.
3. **Specific Government Grants**
This includes grants received from Central Government in respect of a specific purpose or service, usually calculated as a predetermined percentage of the expenditure actually incurred e.g. National Priority Action Fund, Benefits Administration.
4. **General Income**
This includes the charges to persons and bodies for the direct use of council services.
5. **Capital Expenditure**
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, finance leases, or utilising the income from the sale of existing assets.
6. **Capital Financed from Current Revenue**
This is expenditure incurred in creating, acquiring or improving assets where that expenditure is charged directly to the revenue account.
7. **Deferred Asset**
The deferred asset represents the net value of the premium paid/discounts received by the Council on the early repayment of external long term loans.
8. **Useable Capital Receipts Reserve**
The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
9. **Pension Interest Cost**
The expected increase during the period in the present value of the scheme liabilities because the benefits are one year closer to settlement
10. **Expected Return of Pension Assets**
The average rate of return expected over the remaining life of the related obligation on the actual assets held.
11. **CIPFA**
Chartered Institute of Public Finance and Accountancy
12. **LASAAC**
Local Council (Scotland) Accounts Advisory Committee
13. **Budget**
The original revenue budget as set by Members at an appropriate Council meeting.
14. **Intangible Assets**
Expenditure on assets such as software licences that do not have physical substance but are identifiable and controlled by the Council.
15. **Revaluation Reserve**
This fund is a store of gains on the revaluations of fixed assets. It is a reserve held for technical accounting purposes and is not available for distribution.

Glossary of Terms (Cont'd)

- 16. Capital Adjustment Account (CAA)**
This fund is a store of capital resources set aside to meet past expenditure. It is an account held for technical accounting purposes and is not available for distribution.
- 17. Financial Instrument Adjustment Account (FIAA)**
This account is used to balance for differences in statutory requirements and proper accounting practices for borrowing and lending. It is an account held for technical accounting purposes and is not available for distribution.
- 18. Associate Body**
An entity other than a subsidiary or a joint venture in which the council has an interest and over who's operating and financial policies the council is able to exercise significant influence.
- 19. Entity**
A body that is delivering a service or carrying on a business. It should have a separate legal personality and is legally obliged to prepare its own financial statements.
- 20. Statutory Additions**
Additional charges levied for late payment of council tax and non domestic rates.
- 21. Capital Items Replacement Fund**
Reserve earmarked for specific purposes within Education
- 22. Available for Sale Reserve**
Assets that have a quoted market price and/or do not have fixed or determinable payments.
- 23. Current Service Costs (Pension)**
This relates to the real cost of benefit entitlement earned by employees.
- 24. Past Service Costs/Gains (Pension)**
This relates to posts/gains from years prior to the current year and arise from decisions made in year. In 2017/18 this relates to the capitalised cost of early retirements on efficiency grounds.
- 25. Curtailments (Pension)**
Used to reduce the number of expected years of future service for employees. In 2018/19 this relates to the capitalised cost of early retirements on efficiency grounds.
- 26. Interest Cost (Pensions)**
The amount needed to unwind the discount applied in calculating current service cost.
- 27. Expected Return on Assets (Pensions)**
A measure of the return on the investment assets held by the scheme for the year.
- 28. Public Private Partnership (PPP)/Public Finance Initiative (PFI)**
A contract between the council and a private organisation for the provision of new Educational buildings maintenance and related facilities.
- 29. Available for Sale Assets**
These assets are in relation to Financial Instruments and include:
 - Equity investments; and
 - Other investments traded in an active market.
- 30. Heritage Assets**
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities which is held for its contribution to knowledge and culture.
- 31. PPE**
Property, Plant and Equipment.

Independent auditor's report to the members of West Dunbartonshire Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of West Dunbartonshire Council and its group for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, the Non Domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Lead - Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I have identified and my conclusions thereon.

Responsibilities of the Strategic Lead - Resources and West Dunbartonshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Strategic Lead - Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Strategic Lead - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Lead - Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Strategic Lead - Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2019

DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS

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Dr AK Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2019

Trustees' Annual Report

Introduction

The Trustees present the annual report together with the Financial Statements for the year ended 31 March 2019.

Administration Information

West Dunbartonshire Council is sole Trustee for all Trust Funds with the exception of Dunbartonshire Educational Trust Scheme 1962 and McAuley Prize for Mathematics. The table below identifies the Trustees for 2018/19.

Trust Funds	Charity Number	Trustees	Local Authority	Contact Address
Alexander Cameron Bequest	SC025070	Provost William Hendrie Councillor John Mooney Councillor Jim Brown Councillor Marie McNair Councillor Diane Docherty Councillor Jim Finn Councillor Daniel Lennie Councillor Douglas McAllister Councillor Lawrence O'Neill Bailie Denis Agnew (resigned 2018/19) Councillor Gail Casey (resigned 2018/19)	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
Dr AK Glen	SC018701	Councillor Karen Conaghan Councillor David McBride Councillor Ian McLaren Councillor Brian Walker	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
UIE Award	SC025070	Councillor Jim Brown Councillor Ian Dickson Councillor Diane Docherty Councillor Jim Finn Councillor Daniel Lennie Councillor Caroline McAllister Councillor David McBride Councillor Jonathon McColl Councillor Iain McLaren Councillor John Mooney Councillor Martin Rooney	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL

Dr AK Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2019

Trustees' Annual Report (continued)

Trust Funds	Charity Number	Trustees	Local Authority	Contact Address
Vale of Leven Trust	SC025070	Councillor Jonathon McColl Councillor Martin Rooney Councillor Sally Page Councillor James Bollan Councillor Ian Dickson Councillor Caroline McAllister Councillor John Millar	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
Dunbartonshire Education Trust	SC025070	Councillor Karen Conaghan	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
McAuley Prize for Mathematics	SC025070	Councillor John Mooney	West Dunbartonshire Council	
		Councillor Graham Archibald Hardie	Argyll & Bute Council	
		Councillor John Jamieson	East Dunbartonshire Council	
		Councillor Gillian Fannan	North Lanarkshire Council	
		Councillor Thomas Johnston	North Lanarkshire Council	

Objectives and in-year activity

All trusts are advertised on West Dunbartonshire Council's website and details have been passed to West Dunbartonshire Community and Volunteering Service (WDCVS) to publicise them. The activities of each of the Trusts are detailed below:

SC018701 – Dr AK Glen

This fund is for the benefit of the people of Dumbarton, to assist and relieve those in need by reason of age.

The Trust seeks to disburse available funds arising from investment income attained, with one grant being awarded during 2018/19, totalling £864.

SC025070 – West Dunbartonshire Trusts

Alexander Cameron Bequest

This Fund is for the benefit of the people of Clydebank to assist those in need by reason of age, ill health, disability, financial hardship or other disadvantage.

The Fund seeks to disburse available funds arising from investment income attained. Eight grants were awarded during 2018/19, totalling £29,640 (£250 of one grant was returned during year and it has been advised that a further £850 grant will be returned in 2019/20, as neither were subsequently required).

Vale of Leven Fund

This Fund is for the benefit of the people of the Vale of Leven to assist those in need by reason of age, ill health, disability, financial hardship or other disadvantage.

Dr AK Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2019

Trustees' Annual Report (continued)

Vale of Leven Fund (continued)

It was agreed by Trustees during 2016/17 that the funds should be disbursed in full, with publicising of the availability of the Trust being undertaken. However, the funds have not yet been disbursed in full, with only one grant being awarded in 2018/19, totalling £4,106.96 (with £468 of this being subsequently returned as not required).

Trusts with no in-year activity:

The UIE Award Trust

This Fund is for students studying apprenticeships or training in industry.

The Fund did not meet during 2018/19, with no funding applications received and no grant funding awarded. Work continues to review and modernise the Trust's governance arrangements to encourage funding applications in the future.

The Trustees for the Dunbartonshire Educational Trust Scheme 1962 and the McAuley Prize for Mathematics

The Dunbartonshire Educational Trust Scheme 1962 awards educational prizes and bursaries and The McAuley Prize for Mathematics provides prizes for those studying maths and computing.

These Funds did not meet during 2018/19. The Trustees continue to seek clarification as to amendments to the governance arrangements. As these Trusts are governed by statute, discussions are ongoing between the Council (as Administrator) and Scottish Ministers and Office of the Scottish Charity Regulator (OSCR) regarding these arrangements.

Structure and Governance

Dr AK Glen and West Dunbartonshire Trust Funds are registered with the OSCR. The governance arrangements are under the control of West Dunbartonshire Council (the Council), which appoints trustees as required. Trustees are elected members of West Dunbartonshire Council with the exception of the Dunbartonshire Education Trust Scheme 1962 and McAuley Prize for Mathematics. The trustees of both the Dunbartonshire Educational Trust and the McAuley Prize for Mathematics are elected members from West Dunbartonshire Council, Argyll & Bute Council, East Dunbartonshire Council and North Lanarkshire Council.

Following a review of the governance documents, it was agreed at Council on 31 August 2016 that the remaining Trust Funds would be delegated to sub-committees as follows:

Trust	Delegation
Alexander Cameron Bequest	Alexander Cameron Committee
Vale of Leven Fund	Vale of Leven Sub-Committee
Dr A K Glen Fund	Dumbarton Trust Sub-Committee

Trustees' Annual Report (continued)

The trustees have overall responsibility for ensuring that there are appropriate systems of control, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trusts and enable them to ensure that the Financial Statements comply with Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charity and hence responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurances that:

- The trusts are operating efficiently and effectively;
- Assets are safeguarded against unauthorised use and disposition;
- Proper records are maintained and financial information used by the charities is reliable; and
- The trusts comply with relevant laws and regulations.

The systems of internal controls are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems of internal control follow those of the West Dunbartonshire Council itself and, as such, much of this is delegated to the Council's Strategic Lead - Resources. The Council continually seeks to improve the effectiveness of its systems of internal control so that any irregularities are either prevented or quickly detected. The systems of internal control are based on a framework of regular management information, financial regulations, financial and administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.

The Financial Statements and Trustees Report are prepared by the Finance Service within West Dunbartonshire Council.

The appointed external auditors are Audit Scotland. The Council has agreed to meet the cost of this audit and not pass this on to the trusts. This is to provide additional financial support to the trusts, ensuring that core funds are not eroded, and objectives can continue to be achieved.

The Trustees only meet as and when required during the year and will ensure that the required accounting arrangements are adhered to.

Management of Funds and Investment Policy

Decisions regarding the management of the trusts are made by the Trustees. Trustees rely on the expertise of Council staff to manage the investments to ensure the maximum return at the least risk to the Trusts. In this way, the income stream for the future benefit of the Trusts is protected.

Funds available are invested each year with interest earned. Investments are made both internally and externally, with the majority invested in the Council's Loans Fund and externally managed by West Dunbartonshire Council.

Performance

Income for Dr AK Glen & West Dunbartonshire Trusts comes from investment returns. The average interest rate for any internal investments with the Council's loans fund was 0.64%.

Dr AK Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2019

Trustees' Annual Report (continued)

Dunbartonshire Educational Trust Scheme 1962 continues to receive income from external investments i.e. 3% Clydeport and 4% Clydeport Consolidated Stock. These investments are managed by West Dunbartonshire Council and achieved investment income of £10 in 2018/19.

Financial Review

The total balance on the Trusts as at 31 March 2019 (including stocks) is £283,293.

On 8th July 2016 Clydeport Operations Ltd delisted 3% and 4% stocks from the London Stock Exchange. These are stocks held by Dumbarton Educational Trust. Until further information is available it has been assumed that the balance of this stock has remained the same as the previous year (£218).

The trusts held cash and bank balances at 31 March 2019 of £283,075. Reserves are held by the Council on behalf of the trusts and revenue income, generated from investment interest that has not been disbursed at 31 March every year, is invested in line with the investment policy outlined above.

Declaration

This report was signed on behalf of the Trustees on 25 September 2019 by:

Councillor Jonathon McColl
West Dunbartonshire Council
25 September 2019

Dr AK Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2019

Statement of Receipts and Payments Account

(Surplus)			(Surplus)			
Receipts	Payments	/Deficit	Receipts	Payments	/Deficit	
2017/18	2017/18	2017/18	2018/19	2018/19	2018/19	
£	£	£	£	£	£	
(2,875)	0	(2,875)	Dunbartonshire Educational	(576)	0	(576)
			Trust Scheme 1962			
(74)	0	(74)	McAuley Prize for Mathematic:	(138)	0	(138)
(522)	6,820	6,298	Alexander Cameron Bequest	(825)	29,390	28,565
(29)	2,000	1,971	Vale of Leven Fund	(35)	3,639	3,604
(84)	0	(84)	UIE Award	(155)	0	(155)
(88)	1,000	912	Dr AK Glen	(161)	864	703
(3,672)	9,820	6,148	Total	(1,890)	33,893	32,003

Dr AK Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2019

Statement of Balances

Opening Balance 2017/18 £	(Surplus) /Deficit 2017/18 £	Closing Balance 2017/18 £	Note		Opening Balance 2018/19 £	(Surplus) /Deficit 2018/19 £	Closing Balance 2018/19 £
(86,076)	(2,875)	(88,951)		Cash and Bank	(88,951)	(576)	(89,527)
(21,456)	(74)	(21,530)		Dunbartonshire Educational Trust Scheme 1962	(21,530)	(138)	(21,668)
(154,964)	6,298	(148,666)		McAuley Prize for Mathematics	(148,666)	28,565	(120,101)
(8,369)	1,971	(6,398)		Alexander Cameron Bequest	(6,398)	3,604	(2,794)
(24,258)	(84)	(24,342)		Vale of Leven Fund	(24,342)	(155)	(24,497)
(26,103)	912	(25,191)		UIE Award	(25,191)	703	(24,488)
(321,226)	6,148	(315,078)		Total Cash and Bank	(315,078)	32,003	(283,075)
				Investment			
(2,805)	2,587	(218)	5	Dunbartonshire Educational Trust Scheme 1962	(218)	0	(218)
(2,805)	2,587	(218)		Total Investment	(218)	0	(218)
(324,031)	8,735	(315,296)		Overall Total	(315,296)	32,003	(283,293)

All funds are unrestricted which means they may be used for any purpose relevant to the Trust Fund.

The unaudited Financial Statements were issued on 26 June 2019 and the audited accounts were authorised for issue on 25 September 2019.

Signed on behalf of the Trustees by:-

Councillor Jonathon McColl
West Dunbartonshire Council
25 September 2019

Notes to the Financial Statements

Note 1 - Basis of Accounting

The Financial Statements have been prepared on a receipts and payments basis and in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

Note 2 – Trustee Remuneration, Expenses and Related Party Transactions

- No remuneration or expenses were paid to the Trustees or any connected persons during the 2018/19;
- The Trusts received interest of £1,878 from the Council at 31 March 2019, and all transactions incoming and outgoing are made via the Council's bank accounts; and
- The Council has not charged the charity any fees for legal, financial or administrative services provided during the year.

Note 3 – Grants

In 2018/19 the following grants were awarded:

Alexander Cameron Bequest

- £2,400 to Clydebank G81 Trust for the purchase of an acoustic curtain;
- £5,000 to Faifley Community Council as a contribution towards the Summer Fete;
- £5,000 to Double L Centre to assist with the refurbishment of their kitchen area;
- £4,000 to Clydebank Musical Society towards the cost of the use of an orchestra;
- £6,400 to St Mary's Duntocher Parent Council for the purchase of play equipment;
- £2,490 to Epic Assist Charity, Scotland to provide social space for teenagers;
- £3,500 to Clydebank East Community Council towards their Gala Day (with £250 returned as not required, therefore £3,250 was the net payment made); and
- £850 to Old Kilpatrick Community Council as a contribution towards a celebration of the end of the First World War (it has been advised that this will be returned in full to the Trust in 2019/20 as no longer required).

Vale of Leven Fund

- £4,106.96 to West Dunbartonshire Community Food Share as a contribution towards rent and a stock controller. The group returned £468 in respect of a lets refund. Therefore £3,638.96 was the net payment made; and

DR A.K. Glen Fund

- £864 to West Bridgend Tenants and Residents Association to fund an upgrade to a door entry system and an outing, both for the benefit of elderly residents.

Notes to the Financial Statements (continued)

Note 4 – Cash and Bank Balances

During the year the trusts balances were held by the Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the trusts for this administration. The Council also acts as the banker for the trusts and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is paid on balances.

Note 5 – Investment

The investment valuation of £218 (shown in the table below) is the market value as at 31 March 2016, as valued by West Dunbartonshire Council. Notification was received that the stocks were delisted in July 2016. There has been no further update on this and therefore the assumption is that the market price remains the same.

Purchase Price as at 31 March 2018 £	Market Price as at 31 March 2018 £		Purchase Price as at 31 March 2019 £	Market Price as at 31 March 2019 £
(289)	(199)	4% Clydeport authority	(289)	(199)
(35)	(19)	3% Clydeport Authority	(35)	(19)
(324)	(218)	Total	(324)	(218)

Note 6 – Audit Fee

The audit fee for the year of £2,100 (£2,100 2017/18) was absorbed by West Dunbartonshire Council.

Independent auditor's report to the trustees of Dr A K Glen & West Dunbartonshire Trust Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Dr A K Glen & West Dunbartonshire Trust Funds for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments Account, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2019 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1),(2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charities, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of

assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith CPFA
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

September

Richard Smith is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

West Dunbartonshire Council
Report by the Strategic Lead - Resources
Council: 30 October 2019

Subject: Treasury Management Mid Year Report 2019/2020

1. Purpose

- 1.1** The purpose of this report is to provide Members with an update on treasury management during the first six months of 2019/20.

2. Recommendations

- 2.1** Members are requested to:

- (a) Note the treasury management stewardship information within the appended report;
- (b) Approve the 2019/20 revised estimates of treasury and prudential indicators as advised within the appended report (Tables A, B, C, D, E, F, H, L and N); and
- (c) Agree that the appended report is remitted the Audit Committee to ensure further scrutiny takes place.

3. Background

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2019/20, the Strategic Lead - Resources is required to provide a mid year Report to Members regarding the Treasury function.
- 3.2** The mid year report covers the period 1 April 2018 to 30 September 2019 and details the current position (where appropriate) and revises the 2019/20 estimates where required.
- 3.3** The Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies and the report will be reported to a future meeting of that Committee for further scrutiny.

4. Main Issues

Treasury Management Stewardship Report

- 4.1** A copy of the report is attached as Appendix 1.

- 4.2** The report provides details of key changes to the Council's capital activity (the prudential indicators), the economic outlook, the actual and proposed treasury management activity (borrowing and investment) and the risk approach to treasury management (the treasury management indicators).
- 4.3** The revised estimate for gross capital expenditure during 2019/20 (Table A) has increased by £4.451m from the original estimate due to revision to the ongoing forecast outturn figures for both the General Services capital plan and the HRA capital plan which are regularly reported to Members (mainly additional slippage carried forward from 2018/19, following the year-end and additional spend linked to an increase in grant income now anticipated).
- 4.4** The external debt figures included within Table C includes both short term and long term debt due to a strategy of using short term borrowing to fund long term capital investment enabling the Council to take advantage of lower interest rates.
- 5. Option Appraisal**
- 5.1** No option appraisal was required for this report.
- 6. People Implications**
- 6.1** There are no personnel issues.
- 7. Financial and Procurement Implications**
- 7.1** There are no direct financial or procurement implications arising from this report.
- 8. Risk Analysis**
- 8.1** Although the appended report provides a mid year position in relation to treasury management there are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1. These risks are noted below; however the Council has robust monitoring processes in place and provides regular reports to Council and ensures further scrutiny by elected Members at the Audit Committee:
- (a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;
 - (b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the Council has robust controls included within its treasury management and investment strategies that will assist in mitigating this risk; and

- (c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.

9. Equalities Impact Assessment

- 9.1** No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

- 10.1** No assessment of environmental sustainability was required in relation to this report.

11. Consultation

- 11.1** The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns.

12. Strategic Assessment

- 12.1** Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.
- 12.2** Treasury management contributes to the Financial Strategy via the interdependency that exists between pro-active treasury management and the formulation of long term financial plans.

Stephen West
Strategic Lead – Resources
Date: 4 October 2019

Person to Contact: Jackie Allison, Finance Business Partner, Strategic Finance (Treasury & Capital) and Regeneration Services
Council Offices, Church Street, Dumbarton
Email: jackie.allison@west-dunbarton.gov.uk

Appendix: Appendix 1: Mid Year Monitoring Report 2019/20
Treasury Management and Prudential Indicators
1 April 2019 to 30 September 2019

Background Papers: 1. Loans register and portfolio;

2. Debt rescheduling schedules; and
3. Prudential Indicators 2019/20 to 2026/27 and Treasury Management Strategy 2019/20 to 2026/27 (Council 27 March 2019)

Wards Affected: No wards directly affected.

Mid Year Monitoring Report 2019/20**Treasury Management and Prudential Indicators: 1 April 2019 to 30 September 2019****1. Introduction**

1.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government in Scotland Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Scottish Ministers to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made as yet during 2019/20).
- Statutory Instrument (SSI) 29 2004, requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, and therefore to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; and the treasury activity with regard to the CIPFA Code of Practice for Treasury Management in Local Authorities.
- Statutory Instrument (SSI) 123 2016, set out statutory arrangements for local authority borrowing and lending and the requirement to maintain a loans fund and replace the statutory arrangements set out in Schedule 3 of the Local Government (Scotland) Act 1975 (Schedule 3).

1.2 The regulatory framework of treasury management requires that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously. This report meets that requirement and also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators. The treasury strategy and prudential indicators were previously reported to Council on 27 March 2019. The current position is shown (where appropriate) and revisions to the 2019/20 estimate are provided where required.

1.3 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities require to prepare a Capital Strategy which provides the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability

The Council's Capital Strategy was reported to and agreed by Council on 27 March 2019.

1.4 This report sets out:

- Key changes to the Council's capital activity (the prudential indicators);
- Policy on the statutory repayment of loans fund advances;
- An economic update for the first part of the 2019/20 financial year;
- The actual and proposed treasury management activity (borrowing and investment); and
- The risk approach to treasury management (the treasury management indicators).

2. Key Prudential Indicators

2.1 This part of the report is structured to update:

- The Council's capital expenditure plans and how these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow;
- Compliance with the limits in place for borrowing activity; and
- Policy on the statutory repayment of loans fund advances

2.2 Capital Expenditure – Table A shows the current position and revised estimates for capital expenditure for 2019/20 only.

Table A:

£000	2019/20 Original Estimate	Current Position	2019/20 Projected Outturn
General Services	62,714	14,369	64,434
HRA	57,902	12,789	60,633
Capital Expenditure	120,616	27,158	125,067
Financed by:			
Capital receipts	8,487	0	8,487
Capital grants	35,854	4,564	41,825
Revenue	7,348	0	7,348
Net financing need for the year	68,927	22,594	67,407

2.2.1 The increase in the level of anticipated capital expenditure is mainly due to the inclusion of additional slippage following the year end and an increase in spend related to external funding. The decrease in the net financing need for the year is due to additional grants now being identified. The anticipated spends and resources are regularly reported to Members through budgetary control reports.

2.3 Impact of changes in Capital Expenditure Plans – Table B shows the CFR, which is the underlying external need to borrow for a capital purpose while Table C shows the expected debt position over the period.

Table B:

£000	2019/20 Original Estimate	2019/20 Projected Outturn
Opening CFR (1 April 2019)	542,181	538,132
New borrowing	57,189	55,669
LTL repayment in year	(3,102)	(3,097)
Closing CFR (31 March 2020)	596,268	590,704
Movement in CFR (from Previous year)	54,087	52,572
Net Financing need for the year (Table A)	68,927	67,407
Loan repayments in year – excluding LTL	(11,738)	(11,738)
New borrowing	57,189	55,669

Table C:

£000	2019/20 Original Estimate	Current Position	2019/20 Projected Outturn
External Debt			
Estimated/Actual Debt at 1 April 2019	438,836	441,370	441,370
Maturing Debt	(164,439)	(169,000)	(175,848)
Movement in Borrowing			
New Borrowing - Maturing Debt	164,439	169,000	175,848
Borrowing adjustment in relation to over borrowing at year end	0	0	(6,541)
New Borrowing – CFR (Table B)	57,189	25,000	55,669
Debt at 31 March (1)	496,025	460,370	490,498
Long Term Liabilities (LTL) at 1 April	103,201	103,101	103,101
LTL repayment in year (Table B)	(3,102)	(1,549)	(3,097)
LTL at 31 March (2)	100,099	101,553	100,004
Actual Debt at 31 March (1) + (2)	596,124	561,923	590,502
CFR from Table B	596,268	n/a	590,704
Under/(Over) Borrowing	144	n/a	202

- 2.3.1** The external debt figures included within Table C now includes both short term and long term debt. This change has been made due to a strategy of using short term borrowing to fund long term capital investment enabling the Council to take advantage of lower interest rates. The reduction in the estimated external debt for 2019/20 is due to a reduction in the net capital financing need for the year.
- 2.3.2** The CFR is calculated on a year end position based on the Council's balance sheet and therefore the current position is not shown. The CFR has reduced from the original estimate due to the forecast level of capital expenditure in 2019/20 being less than budgeted. The Strategic Lead - Resources can report that the Council is on target to meet the 2019/20 revised estimates for both indicators.

2.3.3 Table C highlights that the borrowing of the Council is forecasting a minimal under-borrowed position against the CFR at 31 March 2020.

2.4 Compliance with the limits in place for borrowing activity – A key control over the treasury activity is a prudential indicator to ensure that over the medium term, gross borrowing will only be for a capital purpose.

Gross borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years.

The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. As discussed in section 2.3, above the current position is not shown since the CFR is calculated on a year end position. The revised indicator is detailed in Table D and is illustrated by comparing the estimated gross debt as at 31 March 2020 with the CFR as at 31 March 2022. The Strategic Lead - Resources reports that no difficulties are envisaged for the current year in complying with this prudential indicator.

Table D:

£000	2019/20 Original Estimate	2019/20 Projected Outturn
CFR at 31 March 2019		
2018/19 Estimate/Actual (From Table B above)	542,181	538,132
Estimated movement in CFR		
2019/20 (From Table B above)	54,087	52,572
2020/21	49,629	49,629
2021/22	20,820	20,820
Anticipated CFR at 31 March 2022	666,717	661,153
Gross Debt at 31 March 2020 (From Table C above)	596,124	590,502

2.4.1 The Operational Boundary is detailed in Table E below and is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table E:

£000	2019/20 Original Estimate	Current Position	2019/20 Projected Outturn
External Debt	655,737	561,923	649,552

2.4.2 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which is detailed in Table F and represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected

movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table F:

£000	2019/20 Original Estimate	Current Position	2019/20 Projected Outturn
External Debt	715,349	561,923	708,602

- 2.5 Statutory repayment of loans fund advances** – The Council is required to set out its policy for the statutory repayment of loans fund advances. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years. There are no changes to the current policy previously agreed by Members.

3. Economic Outlook

- 3.1** The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

As for inflation itself, CPI has been hovering around the Bank of England's target of 2% during 2019, (July 2.1%), and is likely to shift only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.

With regard to the labour market, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.2% y/y), in quarter 2, employment rose by 115,000 in the same quarter: this suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3.

Unemployment has continued near to a 44 year low, edging up from 3.8% to 3.9% on the Independent Labour Organisation measure in June; however, that was caused by a rise in the participation rate to an all-time high. Job vacancies fell for a sixth consecutive month, hitting record levels, and indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.8%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This could mean that the MPC will need to take action to raise Bank Rate if there is an agreed Brexit deal as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the political arena, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

- 3.2** The Council's treasury advisor, Link Asset Services, has provided the following interest rate forecast.

Table G:

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

4. Treasury Management Activity

- 4.1** This part of the report is structured to update:

- The Council's expected borrowing need and details of under/(over) borrowing;
- Debt rescheduling and new borrowing;
- Debt charges; and
- Investments

- 4.2 The Expected Borrowing Need** – This was set out in Table C (above) and demonstrates that at 30 September 2019 Council is currently under-borrowed to reduce risks in investments held and the cost of carry on investments (investments yield up to 0.75%, long term borrowing rates for periods greater than 25 years are currently between 1.87% to 2.03%, depending on length of term for borrowing). This introduces an element of interest rate risk, as longer term borrowing rates may rise; however, this position is being carefully monitored.

- 4.3 Debt rescheduling and new borrowing** – The Council has not undertaken any debt rescheduling during the first half of 2019/20. In the year to date naturally maturing debt of £169.000m has been repaid which has been mainly funded by loans from other local authorities.

4.4 Debt Charges – The revised estimate for debt charges for both the General Fund and the HRA is shown in Table H.

Table H:

£000	2019/20 Original Estimate	Current Position	2019/20 Revised Estimate
Borrowing	22,637	11,195	22,390
Other Long Term Liabilities	10,500	5,156	10,311
Total	33,137	16,351	32,701

4.5 Investments – The objectives of the Council's investment strategy are to ensure the re-payment of the principal and interest of its investments on time with the level of investment return being a secondary objective. Following on from the economic background above, the current investment climate has one over-riding risk consideration which is the risk of default.

4.5.1 The Council held £20.844m of cash investments at 30 September 2019, and the constituent parts of the investment position are detailed in Table I:

Table I:

£000	Country	< 1 Year	1 – 2 Years	2 – 3 Years
Banks	UK	1,844	Nil	Nil
Money Market Fund		13,000	Nil	Nil
Local Authorities		6,000	Nil	Nil
Total		20,844	Nil	Nil

4.5.2 Table J details the revised budget position for investment income. The original estimate has decreased by £0.005m.

Table J:

£000	2019/20 Original Estimate	Current Position	2019/20 Revised Estimate
Investment Income	118	57	113

4.5.3 A regulatory development to address risk is the consideration and approval of benchmarks relating to investment security, liquidity and the level of return. Benchmarks are currently widely used to assess the level of return and investment performance, however the application of security and liquidity benchmarks are more subjective in nature.

- **Security** - The Council's maximum security risk benchmark for the current portfolio in relation to investment periods of up to one year (when compared to historic default tables) was set at 0.09% and the Strategic Lead - Resources can report that there have been no defaults of principal sums invested in the year to date.
- **Liquidity** – The Strategic Lead - Resources can report that liquidity arrangements were adequate during the year to date and that the liquidity facilities and benchmarks set by the Council as noted below were maintained:

- Bank overdraft - £1.000m; and
 - Liquid short term deposits of at least £5.000m available on an overnight basis.
- **Return on Investments** – The Strategic Lead - Resources can report that investment return to date average 0.75%. Table K illustrates how this average return compares with the local benchmarks.

Table K:

Benchmark	Benchmark Return	Average Return
7 day LIBID rate	0.57%	0.75%
1 month LIBID rate	0.60%	0.75%
Council's Instant Access Account	0.75%	0.75%

5 Key Treasury Management Indicators

5.1 This part of the report is structured to update:

- Actual and estimates of the ratio of financing costs to net revenue stream;
- Upper limits on interest rate exposure;
- The maturity structure of borrowing; and
- Total principal sums invested.

5.2 **Actual and estimates of the ratio of financing costs to net revenue stream** – This indicator (as shown below in Table L) identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

Table L:

	2019/20 Original Estimate	2019/20 Revised Estimate
General Fund	10.55%	9.70%
HRA	27.72%	27.31%

5.3 **Upper Limits On Fixed and Variable Rate Exposure** – These indicators identify a maximum limit for fixed and variable interest rates based upon the debt position and were set at 100% and 50% respectively for 2019/20. The Strategic Lead – Resources reports that the Council operates within these limits.

5.4 **Maturity Structures Of Borrowing** – These maximum limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) which are due to naturally mature in any given period as detailed in Table M and show that the Council operates within limits set.

Table M:

Maturity Structure of Fixed Interest Rate Borrowing	2019/20 Original Limits	Current Position
Under 12 months	50%	29.28%
12 months to 2 years	50%	12.61%
2 years to 5 years	50%	2.54%
5 years to 10 years	50%	4.48%
10 years to 20 years	50%	7.78%
20 years to 30 years	50%	6.41%
30 years to 40 years	50%	7.21%
40 years to 50 years	100%	17.35%
50 years to 60 years	100%	12.35%
60 years to 70 years	100%	0%

- 5.5 Total Principal Funds Invested** – These limits are set to reduce the need to temporarily borrow to cover any unexpected expenditure, and show limits to be placed on investments with final maturities beyond each year-end. The Council currently invests sums for periods greater than 365 days in Clydebank Property Company and hub West Scotland as detailed in Table N.

Table N:

	2019/20 Original Estimate	Current Position	2019/20 Revised Estimate
Principal sums invested > 365 days (maximum limit £7m)	£0.547m	£0.547m	£0.547m